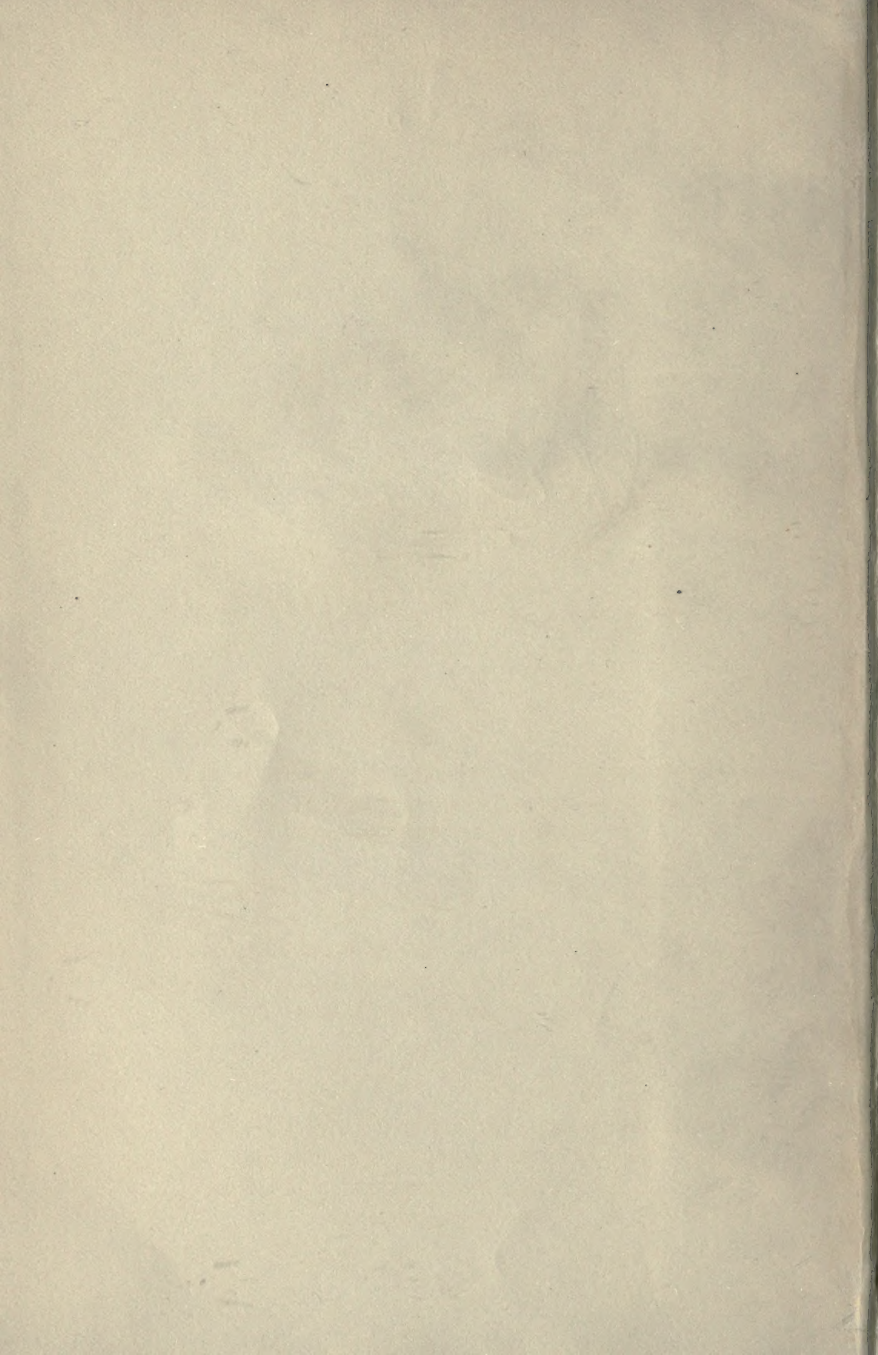


John C. Barry
June 1864



SOCIALISM OR EMPIRE

—A—

DANGER

BY

COL. ED. F. BROWNE

THE MOST SERIOUS QUESTION PRESENTED TO THE AMERICAN PEOPLE
SINCE THE ABOLISHMENT OF SLAVERY IS NOT RE-
CEIVING DUE CONSIDERATION.

THE CONTROL OR REGULATION OF THE EARNING CAPACITY OF CAPITAL
INVESTED IN PRIVATE VENTURES IS A REVOLUTION
IN OUR FORM OF GOVERNMENT.

THE PRESENT SOCIALISTIC TENDENCY TO BUILD UP THE EXECUTIVE
POWER CAN ONLY END IN ONE OF TWO THINGS, I. E., A SO-
CIALISTIC TYRANNY THROUGH LEGISLATION,
OR AN IMPERIATOR.

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PREFACE.

There is an undercurrent of political thought today in the United States, which drifts toward socialism, and this unconscious drift, leads up to a grant of power to our Executive Department quite necessary under a socialistic government, but which creates a danger to our institutions. Successive grants of power to an executive, have always ended in Empire with Republics of the past, and usually the additional power has been given, at the instance of the "common people". While the theory of socialism is a beautiful one, human nature must be changed to make it a success. There are two well defined classes of socialists. The educated theorist who claims to have eliminated greed from his nature, and who prates of the equality of man; and the uneducated socialist who thinks it wrong for any man to have more than himself. The Theorist is a fraud, and should be watched by the police. as mild forms of lunacy soon drift to violence. His only danger is in injury to himself and the advice he gives others.

It is but a step from the theory that it is only right to work entirely for the public good, to the position that the public should receive the benefit of all personal endeavor.

The theoretical socialist talks of the beauties of socialism from the stand point of the "giver", while his ignorant followers interpret this to mean that the public should have the power to "take".

The unfortunate thing about this agitation is the fact that the later class is gaining the most headway.

This under current of thought is so sweeping, that I have been surprised in conversation with Senators, Congressmen and Managing Editors of several of our great dailies, when I have suggested that this agitation was a tendency toward socialism, to hear the expression, "that possibly it was coming."

If public men and great newspapers fear to attract this argument for fear of loss of popularity, a political question

more vital to our future prosperity than any which has been presented since the abolition of slavery, may not receive proper consideration.

There is no doubt but that this socialistic tendency is gaining strength and that the disposition on the part of the public to *take* power not consistent with true political economy is growing.

Weak men and designing politicians are accepting part of the theories of socialism either because they know no better, or they desire to take advantage of the political agitation for personal ends. The United States has become the leader of nations in a business way by following ideas the antithesis of socialism. Our constitution was framed with the creditable object of allowing absolute freedom in business conduct, and our great prosperity has come about through bright minds being able to reap benefits here not attainable elsewhere, and it was intended that every one who had a business should attend to it and let other people alone.

The Socialistic trend of thought now creates a demand that the form of "negative" laws which have controlled our action in the past, shall be supplanted with an initiative control on the part of the government over great business ventures, owned and operated by private citizens.

The demand that the "public" should control, regulate, and investigate everything and every body, who is making money, with a view of seizing any profit over and above a rate of interest that they (the public) think fair, is only the worst form of socialism.

This element desires the passage of laws with a view of eliminating all the speculative benefits to capital, which have rushed the business of the country ahead of all others.

This speculative inducement has brought to our shores the brightest minds of Europe, and our country has received the benefit of the endeavor of such men as Erickson, Carnegie, and thousands of other foreigners, who while making money themselves assisted many others and have been important factors in our rapid advance. The dominant idea of the founders of our nation, was to restrain the government from interfering or competing with private endeavor, because the colonies rebelled against that form of paternalism.

The clamor in some quarters that the public should own

utilities, and that the government should regulate and control insurance, railroads, trusts, and other great private business ventures is nothing more or less than socialism, which would undoubtedly end in Despotism or Empire.

It cannot be that the American People wish to change our form of government and these recommendations mean a change so radical, that we would place back in the hands of an executive of our own selection a power we took away from the executive by the war of the Revolution.

We are asked to place in the hands of our executive department, the power claimed by kings and Emperors, and to give to our executive officers the same form of control over business affairs from which we released ourselves by that long and bloody struggle.

Any interference with the management of private business on the part of government is a form of despotism and there is but little difference between a socialistic tyranny and an Empire. In fact business interests would be safer under an Empire than under a dictator governed by the whims of irresponsible agitators.

The idea of the government "doing things" has grown very rapidly and the evident willingness on the part of our lower branch of congress to turn over to the executive every power requested, is quite in line with the history of Republics which have merged into Empire.

The lower branch of congress (The peoples representatives) has already built up the power of the executive department to such an extent that the congress itself is fast losing its independence and were it not for the Senate our political institutions would be in danger. But this semi-socialistic agitation proposes to give more and more power to the Executive and all of the reforms now apparently so popular, are pointing to a change in the form of government laid down by our Fathers.

In Monarchies or Empires the people have not the constitutional protection from inquisition, control and regulation, which we possess, and this has been our greatest freedom.

My object in writing this book is to show the danger of departing from the written constitution in these matters, and to show that in no instance where government interferes with business conditions are the "people" benefited.

This agitation in favor of the government, state or municipality taking control of business ventures or regulating them except through "negative" laws is Unamerican and wrong. It is but the froth escaping from the seething pot of socialism, which if not cooled by reason will boil over and put out the fires of prosperity.

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CONCLUSION.



CHAPTER I.

THE OBJECTS DESIRED BY THE FOUNDERS OF THE UNION.

The incident which brought about the establishment of our government was not a sudden dissatisfaction with conditions existing, between the mother country and the colonies; but was the result of a long continued controversy over the business administration of the colonies and a protest against its continuance. Plymouth in 1636, Maryland in 1650, Massachusetts in 1661, Rhode Island in 1663 and Virginia in 1691 sent provincial protests to the Crown and to Parliament, demanding that the local general assemblies of the colonies should be allowed to make the laws governing the payment of tax, and excise and duties.

The refusal to allow the establishment of manufactories, and excessive espionage and control over business ventures through license permits and executive regulations were felt to be an outrage.

As early as 1754 a meeting of the colonies was held at Albany through the influence of Massachusetts, but which was not attended by Virginia or North or South Carolina and its protest was against the following conditions:

“That the acts of Parliament in laying taxes and duties on them was unfair and that while they acknowledged allegiance to the King they claimed interests, rights and liberties as natural born subjects to his Majesty, and as they could not be represented in Parliament, that party had no right to impose taxes upon them without consent.”

On the 7th of October 1765 another meeting of the representatives of the colonies was held in New York. At this meeting Virginia, North and South Carolina and Delaware failed to attend, and another protest of the same character was made. The memorial afterwards was signed by the colonies not attending, but these petitions were void of results. Then in 1774 on September 5th there was another meeting

of the delegates chosen or appointed by the several colonies to meet in Philadelphia and upon their assemblage the Continental Congress was born. Most all of these delegates were instructed by resolution passed at public meetings, or by the appointing committee, asking the delegates to obtain certain results. The delegates from Massachusetts Bay were "empowered by the House of Representatives of the Colony" to deliberate and determine upon wise and proper measures and among other things to secure a restoration of union and harmony "between Great Britain and the Colonies." The delegates from New Hampshire were instructed in about the same way.

The delegates from the province of Rhode Island and Providence were requested to obtain the repeal of the "several acts of the British Parliament for levying taxes upon His Majesty's subjects in America without their consent and particularly an act lately passed blocking up the port of Boston and upon proper measures to establish the rights and liberties of the colonies upon a just and solid foundation" and these credentials were signed by John Walton Esq., the Governor then representing the King.

The delegates from the colony of Virginia were appointed at a meeting held in Williamsburg and the resolution passed unanimously at that meeting declared "That in the opinion of this meeting it will be highly conducive to the security and happiness of the British Empire, that a General Congress of deputies from all the Colonies assemble as soon as the nature of their situation will admit, to consider the most proper and effectual manner of so operating on the commercial connection of the Colonies with the mother country as to produce redress for the much injured province of Massachusetts Bay, to secure British America from the ravage and ruin of arbitrary taxes, etc."

Delaware specified her protests as follows: "taking into our most serious consideration the several acts of the British Parliament for restricting manufacturies in His Majesty's colonies and plantations in North America; for taking away the property of the colonists without their participation and consent; for the introduction of the arbitrary powers of excise into customs here; for making of all revenue causes liable without jury and under the decision of a single independent

judge; for trial in England of persons accused of capital crimes committed in the colonies; for shutting up the port of Boston; for the government of the Massachusetts Bay, and the operation of the same on the property, liberty and lives of the Colonists, etc."

South Carolina at a "general meeting held July 8th, 1774, of the inhabitants of this colony, they having under the consideration the acts of Parliament lately passed with regard to the Port of Boston and Colony of Massachusetts Bay, as well as other American grievances" appointed delegates; "to consider the Acts lately passed and bills pending in Parliament with regard to the Port of Boston, which acts and bills in the precedence and consequence affect the whole continent of America; also the grievances under which America labor by reason of the several acts of Parliament that impose taxes or duties for raising a revenue and lay unnecessary restraint and burdens on trade; and of the statutes, Parliamentary Acts and Royal instructions which make an invidious distinction between his Majesty's subjects in Great Britain and America, etc."

This congress on Friday, October 14th, 1774, declared their rights in substantially the following language: "After claiming their rights as citizens they said that by emmigration they had not forfeited, surrendered or lost any of the rights of free and natural born citizens within the realm of England; that they were entitled to a free and exclusive power of legislation in their own provincial legislature and in all cases of taxation, internal policy subject only to the negation of their sovereign; the right under the common law of England of being tried by their peers; the benefit of such English statutes as existed at the time of their colonization; the right to petition the King and assemble peaceably; protesting against a standing army in the colonies in times of peace without the colonies' consent; that the exercise of a legislative power by a council appointed by the King was a danger and destructive of American freedom.

On October 26th, 1774, an address was given by this congress to the inhabitants of Quebec, not asking them to commence hostilities against a common sovereign, but inviting them "to not suffer themselves to be intimidated by infamous ministers, but send delegates to a meeting to be

held in Philadelphia on the 10th of May, 1775." At the meeting of this continental congress on July 6, 1775, a practical declaration of war was made "not for conquest or glory but for rights and liberties, for the defence of birthright and property" with a pledge to lay down their arms "when hostilities shall cease on the part of the aggressors, and all danger of their being renewed and not before" and on the same day this congress on the part of the colonies assured the inhabitants of Great Britain that their movement was not aiming at independence; but an insistence on their rights regarding taxation and the right to enter into profitable business pursuits even though it would prevent the colonies from importing manufactures from England, and also claiming all the rights granted citizens of England.

This declaration of July 6th, 1775, a year before the declaration of independence was said to have been prepared by John Dickinson of Pennsylvania, who also prepared the address to the King, but who apparently left congress rather than sign the Declaration of Independence.

It will be noticed by the form of protests made and the expressions used at the meetings, that the principal complaint was about taxation.

That the law prohibiting manufactures in the colonies was looked upon as a great blow at their prosperity and that the restraints and burdens on trade created by the Acts of Parliament were looked upon as an interference with private rights of citizens.

The protest of Massachusetts which ended in an order to close the Port of Boston was the incident that brought on the revolution. Stump speakers can make fine talks about freedom of speech and press. There was but little interference with freedom of speech and less of the press, as in those days the press was not much of a factor in the colonies. The fact remains that the revolution was the direct result of business conditions, and that in the war which separated the colonies from England the declaration of war was clearly over that class of interference and that it was declared on July 6th, 1775, while our Declaration of Independence was made on July 4th, 1776, a year after the war commenced.

Our political freedom was not declared until nearly a year after the war against business oppression had begun.

In all monarchies there is more or less restriction and control over business affairs on the part of the sovereign. The license to do business in Germany, Russia and many other countries to-day is so restrictive that, without an avowed friendship to the policy of the government, it would be impossible to do business.

Certain classes of profitable business are retained by the government and citizens are not allowed to compete. In the colonies this favoritism had gone to such an extreme that citizens could not enter into many kinds of business without permission from representatives of the King. The unjust imposition of tax, and the interference with business conditions were the thorns which kept open a rankling sore, that could only be cured by amputation.

The British Parliament which had chartered the great East India Company and granted exclusive rights to favored Englishmen in colonies all over the world, could not see its way to listen to the protests of the American colonists; it was against the ideas of a Monarchical government or an Empire.

The British Parliament could not give even English citizens the rights demanded by the American colonists, and on August 23rd, 1775, in answer to their protest called attention of the signers to the fact that they were forgetting their allegiance.

It was in answer to this charge that the last equivocal acknowledgement of allegiance was made in the memorable resolution which declared "What allegiance it is that we forget? Allegiance to Parliament? We never owed—we never owned it. Allegiance to our King? Our words have ever avowed it—our conduct has ever been consistent with it."

Finding that by a continued allegiance, this despotic control and regulation by Parliament of our business affairs could not be corrected or redressed, then and not till then, was the declaration of independence made; and we established a government supposed to attend to its own affairs and allow its citizens to choose their own form of business in their own way, and through competition to regulate markets, rather than by the legislative acts of a parliament or a congress.

The Revolution was clearly a war against business favoritism, governmental control and interference with private business undertakings and unequal and arbitrary taxation.

CHAPTER II.

CONSTITUTIONAL PROVISIONS.

It can be seen that the potent factor which brought about the independence of the United States was the protest made by the business men of the colonies in regard to the imposition of excessive tax, without the colonists having anything to say in regard to the disposition of funds thus raised.

The popular cry of "no taxation without representation" united the great mass of the people, and made a common cause which enabled our Generals to secure men, and money, to continue a war of eight years duration, with spasmodic success.

It was the business men of the colonies who carried the revolution to a successful end; because they felt that the great natural resources of the country and their own fortunes otherwise would be exploited in behalf of the Crown of England and the agencies of that power, and that the regulations regarding private business affairs would destroy our chances for prosperity. Taxes had been enforced in harsh and overbearing ways, and the business of the country had been made to pay such unequal tribute, that a man could not tell what his profits had been until the tax collector had finished.

The books of private citizens and corporations were "investigated", goods seized by taxing officers, and no man's house was safe from the raids of government representatives whenever the demands of the "Crown" or its officers had to be met.

No man's word was taken in regard to his profits or losses, but government agents examined books and papers and enforced a payment of tax by seizure if they so desired. Our constitution was framed by men who knew of the ills of paternal government. It was framed with a view of preventing the very things occurring that our semi-socialists desire today.

While the Declaration of Independence had been made many years before, the same element that carried the revolution to success was in control in 1787 when the constitution was framed. It has proved to be the ablest document of its kind in existence; every phrase was considered carefully and the discussions over its construction are revelations of thought on forms of government.

The duties of government were limited, and in that document they tried to prevent our government from doing the things that had been so obnoxious to the people as to cause a revolution; the loss of thousands of lives and the expenditure of \$77,682,978.00 at a time when millions meant much more than they do today.

In the declaratory part of the Constitution it is specifically stated, that the object was "to form a more perfect union, establish justice, insure domestic tranquility, provide for the common defence, promote the general welfare, and secure the blessings of liberty to ourselves and our posterity."

In regard to the imposition of tax by government they were specific in directing that all direct taxes should be apportioned according to population, and in all cases they provided that representation should go in exact proportion to taxation.

Congress (the representatives of the people) was the only branch of government granted any business powers whatever, and it was limited to the following subjects:

To levy and collect taxes etc.

To pay debts and provide for the common defense and the general welfare of the United States.

To borrow money on the credit of the United States.

To regulate commerce with foreign nations and among the several states and with Indian Tribes.

To coin money, regulate the value thereof and of foreign coins.

To fix the standard of weights and measures.

To establish Post Offices and post roads.

Congress and the states were prohibited from doing many things which would have interfered with private business enterprise.

Congress cannot levy a Capitation or other direct tax unless in proportion to the census.

No tax or duty shall be laid on articles exported from any state.

No preference shall be given by any regulation of commerce or revenue to the ports of one state over those of another.

No state shall levy a duty except to cover inspection expenses on property coming from other states.

The framers of the original constitution, living in the atmosphere of protest against government interference with private business affairs, which had been going on in the colonies since 1638, did not think it necessary to include in the original document the specific injunction against encroachment of power by our own government, such as had caused the war of the revolution. But the talk of Washington being an aristocrat, and the fear of states or the nation forgetting the principles for which that war was fought, made such an impression on the people of the several states that a few of them subscribed to the original constitution with a distinct understanding that amendments be made confirming to the people constitutional rights in unmistakable language.

The result is that we are the only people in the world having constitutional protection of personal rights against the action of our own government.

Patrick Henry in his argument demanding these provisions asserted that most European people had enslaved themselves. "If it is so in America it will be by the hands of their own people. If you intend to reserve your unalienable rights you must have the most express stipulation."

Having suffered so severely through the acts of the British Parliament prior to the revolution, the two greatest dangers feared by the people were, legislative oppression and executive ambition.

Following the line of thought expressed by Patrick Henry the fourth and fifth amendments were expected to protect our citizens from annoyance by government officials, and to secure to them property and personal freedom from the results of attempted legislative or executive interference with private affairs.

The fourth amendment provides that: The right of the people to be secure in their persons, houses, papers and

effects against unreasonable searches and seizures, shall not be violated.

No warrants shall issue but upon probable cause supported by oath or affirmation and particularly describing the place to be searched and the persons or things to be seized.

The fifth amendment provides that: In a criminal case no person shall be compelled to be a witness against himself nor be deprived of life, liberty or property without due process of law, nor shall private property be taken for public use without just compensation.

As a guard against our officers or law makers assuming functions not granted them, the Ninth amendment provides that "The enumeration in the constitution of certain rights, shall not be construed to deny or disparage others retained by the people."

In the Tenth amendment it further provides that: "The powers not delegated to the United States by the constitution nor prohibited by it to the states are reserved to the states respectively, or to the people."

After the Civil war amendments were made to cover the new condition in the south, following the freedom given the slaves, and another specific guarantee to property owners was given in the fourteenth amendment where the states are prohibited from abridging the privilege or "immunities" of citizens of the United States, making a more explicit protection to property rights than was expressed in the fifth amendment.

The foregoing extracts give every business point presented by the Constitution of the United States.

The constitution does not provide or countenance any Executive action not provided by a law of congress. Congress is the only power that should order the transaction of any government business, and it was supposed to be limited to purely governmental questions. Congress cannot rightfully delegate its power to the Executive and he to a Secretary and the Secretary to a commission or clerk and have an inquisitorial investigation carried on in regard to the business of private citizens. The constitution expressly intended that not even the courts could look over the books and papers of a citizen of the United States, it

was for this freedom that the war of the Revolution was fought.

It is this freedom that has made this nation great.

Keep in mind that the constitution represented the ripest thought of that time in regard to the dangers of a paternal or monarchical government; it was a protest against its continuance and a guarantee to our citizens *that their right to be secure in their persons, houses, papers and effects against unreasonable searches and seizures, shall not be violated.*

This semi-socialistic movement of to-day would clothe our executive authority with the very power we fought to destroy over one hundred years ago. It would create an inquisitor governed by a mob instead of a ministry.

It would mean that idle tattlers could start investigations, and tear down business structures that had taken years to build and to no good end. The rabble who lead on in this class of attack gain nothing themselves, but sadly injure others.

The rights of suffrage, of free speech, and freedom from government control of business affairs is what constitutes our "liberty."

Are the people of the United States going to turn back to government the greater part of their "rights" because of the clamor of a few irresponsible busy bodies, who desire to attend to other peoples business instead of their own?

Are we ready to turn back to government the right to supervise or control our private affairs in the face of the fact, that by attending to our own business we have advanced in material wealth more rapidly than any nation in history?

When the so called "public" is allowed to enter into competition with private citizens or corporations (there is no difference) in business matters, and is allowed to own and control competitive ventures and to "regulate" and make "unreasonable searches and seizures" through executives of their election, without protest, the decay of the Republic will have begun.

The President when asking for the power to regulate, control restrain and intimidate great business interests, through the passage of laws giving affirmative action to the executive department, says it is only an "innovation in form"

and in reality "it is only a restoration to the power of the executive granted by law making bodies generally."

It was the power taken from the executive through bloody years of war commencing in 1775, and to restore it now is an "innovation" so, extreme as to mean complete revolution."

The congress has been careless in granting executive power to such a degree, that it hardly dare represent the people at present in case it crosses the purpose of the President, and apparently has lost all control over affairs purely intended to be under their supervision.

In attempting to follow socialistic suggestions in reference to corporate control through the executive department it is building up a power that may mean socialism or Empire. Certainly one or the other.

CHAPTER III.

INDIVIDUAL RIGHTS IN DIFFERENT NATIONS.

The citizens of the United States are the only ones whose individual rights are protected by constitutional provisions unchangeable by legislative whims.

The framers of our constitution provided that amendments be made only by a slow process and with great unanimity; two-thirds of congress or two-thirds of the states must unite in proposing an amendment and the legislatures of three fourths of the states must ratify (without chance to alter the amendment presented) before it can be adopted.

This written constitution has given personal guarantees to our citizens not granted any other people.

It may sound strange but the people of the United States are the only ones guaranteed and protected from the actions of their own government.

These guarantees were so specific in character that exceptional guards were provided.

Nearly all interference with the personal liberty of citizens would naturally arise from legislative or executive action, and our constitution is the only one which makes the courts a co-ordinate constitutional branch of the government.

The Constitution of the United States created our Supreme Court while in England, Germany and France the courts are created by statutes provided through acts of Parliament or legislature.

Professor Burgess in his able work on Political Economy explains that "The sovereignty back of the government in the United States vests the power in the courts to interpret the prescripts of the constitution in behalf of individual rights and immunities and to defend the same against the arbitrary acts of the legislature or executive".

No other nation gives this power to a court, and no other nation creates a court through constitutional provisions.

In no European country can a court question, reverse or check a legislative action, and the individual citizen has no remedy against legislative or executive interference. In all of those countries, the courts being creations of legislation cannot correct or impair acts of the legislature,

In England Parliament interprets the constitution and all forms of individual liberty in that country are entirely the whim of Parliament. The English Parliament can if it so desires take away from the citizens every form of individual liberty and abolish the courts by a single legislative enactment. The Parliament by an address to the crown can remove any Judge in the Kingdom. The only remedy in England which an individual could use to seek redress in case of a controversy with the government, would be through Parliament.

In France there is not a single constitutional guarantee of the rights of private citizens. The National Assembly, not the courts, is the final interpreter of the constitution and all amendments must originate with it. If the government should interfere with the private rights of an individual citizen, his only remedy would be in the Assembly, not the courts.

In Germany, the Emperor is the final interpreter of the Constitution, and the constitution cannot be changed except through machinery started by the Imperial legislature. The result is that the individual citizen has no remedy whatever against either legislative or executive action.

While Germany has gone farther in expressions favorable to individual liberty than any other European nation, it as yet has not given the individual any guarantee against aggressions of government and he is still subject to the caprice or tyranny of legislative or executive control.

In Germany the court being a statutory body and not a constitutional one, cannot defend the individual from any legislative or executive acts of the central government.

The constitution of Germany makes the Chancellor responsible for the acts of the Emperor, but strangely does not provide for any means of enforcing the responsibility.

In the imperial territory of Alsace-Lorraine there is no immunity whatever provided against the power of the general government over individual rights.

Contrary to the idea which many would have, that these omissions were the result of ancient constitutions which had not received the benefit of later conditions and thought, all of the constitutions of Europe are of late date.

The so called English Constitution is a creature of circumstances. While it is termed an "Unwritten" constitution, so much has been placed on record in one form or another, that its main features are indelibly fixed in the minds of all English people. On investigation the famous "Magna Charta" is nothing but an act of Parliament subject to change at any time.

The shifting of sovereignty from a King, to the nobles, and then to Parliament was a process of evolution extending from 1215 to 1832, but the fundamental basis of the English Government of today really commenced on the later date.

The English Constitution is however a "myth", the Parliament of England is a perpetual constitutional convention when in session and the rights of the people are subject to its dictation. There are no written guarantees given the individual.

The constitution of Germany is of later date. The confederation of the German States was not perfected until 1871. The pride of conquest, and worship of military power caused only a perfunctory revision of the constitutions of of the states which comprised the new Empire. The present constitution of the German Empire is a compilation of constitutions already in force in several states, and no changes in organic law were attempted. So that while Germany has a written constitution it provides for a government of a people and not a government by the people.

The present constitution of France was framed so shortly after the mercurial temper of the "common people" had been displayed in the incidents which had occurred after the German occupation of Paris, that the people were to a certain extent afraid of themselves.

The French constitution of 1876 has not one sentence which could be distorted into a form of protection of individual rights as against the French Government.

To all intents the National Assembly is the only guardian

over personal liberty or individual rights. The Assembly originates any amendments to the constitution and, knowing the temper of the French people, in 1884 attempted to hold itself to a Republican form of government by enacting a constitutional amendment "that the Republican form of government shall never be subject to revision".

This amendment is mere verbiage because the Assembly can reverse itself at any future time if it so desires.

I have given these details regarding forms of government with a view of making it plain to the reader why it would be unconstitutional for our congress or executive to interfere with private individual rights, when they attempt to do things here, which are done in European countries. I have given the comparison with the highest forms of government.

It is not necessary to cite Mexico where there is no protection against the government, principally because of the same fear of the common people as in France; or the latest accession to civilization, i. e. Japan where the common people are only allowed to participate in the right to die for their country.

The constitution of the United States is the great and only exception in that it guards individual rights against the government itself, and provides a co-ordinate branch of government i. e. the courts, to protect the common people from vicious legislation or executive aggression.

This socialistic agitation is a request that these constitutional rights be withdrawn from "rich" people; people who have combined together and formed great corporations, but who still are as much "common people" as the poorest laborer or the socialistic tramp. The agitators want the government to interfere with the constitutional individual liberty guaranteed the man who has succeeded, and if possible, make him give up to the state or the community some of his increment.

The knowledge that private incentive had received this constitutional guarantee in the United States has brought into existence here the greatest system of transportation on the globe. It has created the greatest steel manufacturing corporation in existence, an oil company which controls the markets of the world, and hundreds of manufacturing and mercantile ventures so great that the historical opera-

tions of the East India company, which was supposed to be the greatest trading company of the time, would be but an ordinary venture for Americans to undertake.

The "common people" of today may be the capitalists of the future. They stand in their own light if they insist on the removal of these protections to individual rights.

Our constitution was framed with the purpose in view of making it difficult to change. The founders of the government had confidence in the "common people", but recognized that they were liable to act without consideration, and as a check upon unwise action made a change in our constitution more difficult than in that of any other nation.

It was done with a view of obliging deliberation upon any changes desired. In these other counties where rulers by "divine" right are recognized by the power which frames the constitution itself, and where individual liberty is not recognized either by the constitution or the Executive; *initiative* control of private business conduct can be exercised and it would still be within the lawful province of government.

If we change our constitution, taking over power to our government to do these things, it would be lawful in the United States for the government to regulate, control and investigate individual property investments and operation and to enter into business competition with our own citizens, but until such a change is made the effort is not only illegal but against our public policy. The advocates for such a revolutionary change in the power of our government, should formulate an amendment to the constitution and start it on its rounds among the several states.

It is unfair to the courts for Congress and the President to put up to them such a question as this, when in plain terms it is the duty of the courts to prevent this very form of encroachment on the individual rights of the people.

If a "square deal" is really desired present a constitutional amendment to the people, and do not engineer laws through congress like the "Inter State Commerce", "The Elkins", "The Hepburn Dolliver", "Meat Inspection" and many others which clearly are unconstitutional, but which were passed by congress with meaning so vague that the courts^s have permitted our legislative department to play tricks upon our fundamental law.

CHAPTER IV.

DANGER IN ATTEMPT TO "GET AROUND THE CONSTITUTION."

The great mass of American people are so absorbed in business pursuits or busy with their own affairs, that they pay little attention to public matters. If you call a man's attention to the fact that some of the things proposed infringe on our constitutional rights as a people he says: "By George! that is so. I never thought of it that way before," and immediately forgets all about it, until something else brings it to mind.

The men who advocate these encroachments on our constitutional rights and are assisting the cause of socialism thereby, invariably assert that "the people" or "the public" demand this or that.

The people and public they talk about are as indefinite a quantity as the "they say" of slander, or the three tailors of London. I notice that when meetings are called to advance this agitation for public control of business affairs, that the conservative property owners object to the change. While the great majority of our citizens do not claim to understand all of the objects of government, or make a study of political science, they intuitively feel that most of these experiments are dangerous. They know that their country has grown exceedingly prosperous under our conditions existing, and feel like "letting well enough alone."

When this element is advised of the situation, this rage of public control and regulation of everything will die the same as many other remarkable political moves of the past. It will be found that the public and the people who are now demanding that an executive power be given over business affairs; upon investigation will prove to be the little crowd of noisy agitators, the irresponsible brawlers or pothouse politicians who make a business of blackmailing

public men and others, assisted by the socialists who want to destroy all property rights. The better class of our citizens are slower to act and not as quick of thought as the fiery agitator, but when once they see the danger of a political move, they ally themselves on the safe side without fail.

When the thinking people of the United States see that this agitation means the loss of the greater portion of the "liberty" of which we are so proud, it will not take them long to "turn it down."

Any business to be controlled or operated by the public or people, if you please, must be managed in detail by some branch of the executive department.

In cities the mayor or some executive board would direct, while in State and National control any executive action would come through the Governor of the State or the President. The greatest danger to a Republic is the tendency to take power on the part of the executive, and it was this feature more than any other that caused the framers of our constitution to provide that congress must do all the business of the government.

The Executive was restrained from doing anything except enforce the laws, grant pardons, assist in making treaties and appoint ambassadors, etc., convene congress in an emergency, and report to congress on the state of the Union and to recommend for their consideration those things necessary or expedient. In other words, he was the high executive officer to enforce the laws passed by congress.

Congress and our state legislators should see to it that instead of turning over more and more power to the executive department, that that department should be hedged about by laws, so as not to allow any of the rights of citizens to be lost or impaired.

The agitation which now has in view the creation of an executive power to govern insurance, railroads, packing houses, trusts, etc., is exactly what this country does not want, and it would put in the hands of our executive a power more comprehensive than any constitutional Monarchy grants a king.

It would place the President in such a position that in case he chanced to have the ambition he could do what has been done at the "wind up," of every great Republic of the past.

If he were to have the Army and Navy and the vast other army of appointees at his back, along with the power to "regulate and control" the larger business ventures brought into being by private capital, it might be a power too great for some men to withstand.

We have a President today whose patriotism is undoubted but whose aggressive acts could be duplicated by a tyrant seeking personal ends, with disaster to our institutions. He likes to "do things" and is so thoroughly sincere in his belief that he is right on every question, that he carries many with him, and in this attempt to control business affairs by government regulation, he is applauded by the socialists, the labor unions, and the agitators, in addition to the thousands of people who are perfectly willing to let him do their political thinking for them.

It is not a probable thing that a President would be a good business man. he has had to give too much thought to politics to be proficient in handling business matters, and it is the same with our congressmen to a great extent. A good many governors of states have been selected from the ranks of successful business men, but none of these have ever advocated the so called "reforms", which means the loss of part of the rights of the people.

It is extraordinary presumption for an executive of a state or the nation, to advocate or press on the legislative department measures which would allow control of great business ventures through the action of Boards or Commissions of his creation.

With the great corporations "controlled" and made subservient to an executive power, it would not take long for a man who orders the army and navy officers to "keep quiet" on political subjects, who intimates to his own cabinet officers that he "will do the talking for the administration"; to imbibe the idea that he should dictate about the whole running of affairs in the United States.

If the power is given no matter what happened it could all be done, because the "people" wanted it.

Cesar and Napoleon both claimed to represent the "people" at the time they assumed power. Even the Presidential changes in Santo Domingo are all claimed on behalf of the "people", and we in the most enlightened and free

country, in this twentieth century, at the instance of a worked up demand of the "people", are asked to place in the hands of our executive department a two-edged sword that we expect to cut one way, but which in every instance in the past has cut another.

It is all right, and proper for the people or public to regulate domestic tranquility and have an executive enforce their will in regard to governmental problems, but it is all wrong for the people to attempt to delegate an unconstitutional power to an executive over the business affairs of citizens who transgress no law.

Congress by the constitution is charged with specific powers and the only phrase which could be misunderstood is the expression that among other things it could "pay debts and provide for the common defense and *general welfare of the United States.*" When the whole instrument is considered, and the intent of the framers known, it is evident that congress itself could not rightfully frame a law that would grant to any branch of the government supervisory regulative powers. Congress could only pass specific laws covering the situation, and the executive department then should see that the law was enforced.

No work of construction or any government business should be attempted except by contract with American citizens, under plans adopted by congress.

In other words, congress should run every business undertaking attempted by our government, and it has no right to delegate its power to an executive or any branch of the executive department, and a proposition to give a commission or board in the executive department discretionary power of control over private citizens business affairs, is one so plainly unconstitutional as to practically revolutionize our system of government.

I am well aware of the fact that many lawyers will disagree with my ideas about constitutional restraints regarding executive action, and they will do so because they have only read their books of law and reference, without having read the history of their country. For over one hundred years congress and our legislatures have been passing laws, knowing them to be unconstitutional, either at the request of some political party or to meet some supposed emergency, hoping that the courts would let them stand.

Several laws of this character have slipped through the courts; usually through poor presentation of the case to the reviewing authority or at times by reference of an agreed case on the constitutional point in which decision was desired on some other phase of the question in controversy.

Several of the decisions of the Supreme court which are at variance with my views, while tacitly acknowledging the power of legislatures and congress to delegate inquisitorial authority, only do so in a negative way, by not commenting on the constitutional point, while allowing the statement in the text.

Members of congress continually charge the courts with unfairness in making their decisions, and it is the fashion among those socialistically inclined to condemn their action, but it is fortunate for the people that the courts act independently or "freak" legislators would have completely revolutionized the country ere this.

President Roosevelt has gone further than any other president in pressing upon congress clearly unconstitutional methods.

His request that extraordinary powers be given the Inter State Commerce Commission, and in the message plainly saying, that if the courts found a law thus passed to be unconstitutional, the constitution should be changed, was remarkable; but the suggestion that congress should try and make insurance Inter State Commerce, and try that on the courts, was worse than remarkable.

The decisions given by our courts but prove the great value of our constitution and recommendations such as these show the pressure brought to bear on the courts by executives and designing congressmen.

The two greatest dangers feared by our forefathers were the seizure of power by the executive and unreasonable action by the common people and these were the reasons why the senate was made to represent the states, while the House of Representatives represented the people; with the courts to see to it that neither of the political adjuncts of government interfered with property rights. As a broad proposition every law attempting to grant our government power to do business or to "regulate" private business affairs, except by direct general laws governing all business, is a violation of the intent of the framers of our constitution, and every exception, even to the one allowing the government to go

into the Post Office "business" has worked injury to the country.

The Presidents recommendation that hereafter laws should be passed giving initiative action to the Executive Department of our Government, and the evident careless way in which the congress received the recommendation, and followed instruction, is the entering wedge of either Empire or socialism.

It is a proposed change in our form of government so sweeping in character that this first definite effort should be blocked.

It is a change from negative legislation to initiative control and every citizen should study well the question and decide for himself whether he desires the change.

Cæsar was the first "reformer" who openly recommended the overthrow of his nation's constitution. He was a Democrat and recommended the change in the interests of the "common people".

His success through the assistance of the Burgesses first in unconstitutionally extending his own term of service and granting him command of three legions, and second in pushing through the agrarian law, distributing land in severalty to the soldiers of Pompilius, called attention to himself, and rallied to his political standard the dissatisfied. Gabinius and Manilius had wrongfully taken the power from the senate to originate legislation and placed it with the Democracy or representatives of the tribes. They planted the seed for Pompilius, and Caesar garnered the harvest. Caesar was a party man and an orator. His "reforms" caught the ear of the unthinking, and soon the representatives of the "common people" placed so much power with him, that when afterward crossed in his purpose, he crushed all opposition and rewrote the constitution of Rome.

In furthering his agitation, he adopted the plan of intimidating capital popular to all socialistically inclined, so that one of the great capitalists of that day wrote "We already through fear of death or banishment despair of freedom everyone sighs, no one ventures to speak."

Caesar, through Claudius promised everything to the common people and antagonized class against class and controlled the meetings of the Burgesses through his oratory and absolute control of party. The Burgesses (the representatives of the common people) connived with Caesar at the overthrow of the Senate and when the change in membership of

the Senate was increased wrongfully to 900 members, Caesar himself filled the vacancies. Soon thereafter members of the Senate were frequently surprised to see decrees published by authority of the Senate which had not been considered at all. The constitution was defied, and in the end this despot doubled the size of his army, crushed all opposition and a Roman Empire rose from the wreck of the first great Republic. An Emperor ruled until the final tragedy.

In France, the change while more sudden and spectacular but duplicated the action of Caesar.

Napoleon, on his return from Egypt, wishing to get power within his hands, attempted first to have an immaterial change made in the constitutional restrictions regarding age of members of the Directory (on account of his youth) and until the supreme moment prated of the inviolability of the constitution of France. Within 30 days of the Coup d'Etat he said that while France had been able to secure a constitution founded on reason they had 1800 years of prejudice to overcome. The day before he drove the legislative five hundred out of the hall of St. Cloud he protested "that we are resolved to have a Republic, we are resolved to have it founded on true liberty and a representative system." "I swear it in my own name and my companions in arms" while on the succeeding day he, when asked to swear obedience to the constitution, declared "the constitution does not exist" and proceeded to form a constitution of his own, giving power to a single consul to govern with Imperial will.

Initiative control of business affairs by our executive department is against Republican principles. It places power where it does not belong, it is plainly an adjunct of Empire or Monarchy, and not of a free people.

Benjamin Franklin on June 4th, 1787, said in regard to Presidential power: "The first man put at the helm will be a good man. Nobody knows what sort may come afterwards. *The Executive will be always increasing till it ends in Monarchy.*" Are we now preparing to fulfill this prophesy? Should we give the present Executive power we would not trust to Mr. Hearst, Debbs or Haywood or any wild eyed reformer who would chance to become popular with the people?

Is it not better to make no attempt to get around our written constitution?

CHAPTER V.

PANAMA CANAL.

The tendency of our lower house of congress to follow in the footsteps of the Burgesses of Rome, by granting power to a popular executive far beyond what the constitution intended, is remarkably demonstrated in the operations connected with the construction of the Panama Canal.

Up to the present time it has voted vast sums of money toward the canal's construction, and left the whole matter in the hands of the President.

There is no doubt but what the executive department has done everything possible in an attempt to see that the money was expended properly, but it is a load of detail that never should have been left for it to carry.

The government of the zone, the framing of laws and all the business in connection with the work is going on "by order of the President."

In fact everything is now going on at Panama that the Imperialists and Socialists desire and advocate.

In framing laws the commission use the expression "by authority of the President of the United States be it enacted by the Isthmean Canal Commission" and all kinds of orders are given by "the direction of the President."

Even regulations of commerce and coinage are assumed by the Executive Department although these duties are specifically delegated to congress. It is the evident intention that all the business connected with the enterprise shall be done by the executive department. It is improbable that a work so vast as this promises to be, extending over a good many years, and under several different administrations, can go forward without considerable friction, if the executive department should attempt to employ the labor engaged in its construction.

While the initial labor attendant to clearing up the Isthmus and putting it in sanitary condition might successfully be done by government employees, it could not be as cheaply and effectively done as by private parties under government inspectors.

The boards of control, the engineering force, inspectors, auditors, etc., etc., who would look after the administration of the canal's construction, very properly should be appointed by the President and approved by the Senate. But after the Board of Engineers had formulated a plan of construction and had it approved by congress, (the business end of our government) advertisements should be made, and invitations for bids extended to American citizens, and the lowest bid accepted either for the whole or sections of the canal.

That is the American way of doing things and it is far the best; some way or other the citizens of the United States have the "get there" quality better developed than any other people, and it is through the development of our individuality that our great success has come about.

A contractor looking out for profit will listen to the inventor, accept his improvements and have them in operation years before the inventor could get them before a government board.

Different sub-contractors would attempt different ways of achieving success and I have no doubt but that in two years time, some of the contractors could cut in two any excavating cost which could be brought about with government labor, and still make money.

Col. Ernst in his report on what had been done last year says that the cost per yard averaged from 43 cents to \$1.02 for the twelve different months of that period.

The gross result at Culebra Cut was the removal of 741,644 yards of which 96,052 was rock, 254,252 soft rock and 391,340 earth.

Mr. Stevens figures this to be 58 $\frac{3}{4}$ cents per yard and allows 16 cents of this amount for "haul". It is needless to say that scientific "dirt handlers" in the United States would gladly take a contract and knock off the odd cents shown above. Mr. Wallace estimated 50 cents as a fair price and he was right, it could be contracted at that, but it never can be done with government paid labor. But the commission

fails to add to the above an enormous sum for machinery repairs and expenses now paid by the government, which would be paid by the contractors if the business was carried on in a business way, and it is evident that with government paid labor it will cost 75 cents per yard, or more. It would but be a recurrence of what has always occurred in public work. Out of the \$8,095,092, expended prior to September 30, 1905, but \$1,010,104, was used for canal construction, according to the official report, and the following items which used up over half of the amount expended, never should have been spent at all by the government, viz:

Purchase two steamers.	\$1,300,000
Material and equipment.	2,091,258
Machine shop expenses.	468,082
Construction and repair of buildings.	597,180
	<hr/>
	\$4,456,520

Contractors would not use the old material they are repairing which had been left by the French Company, or the new dredges purchased by the government. They would install better ones of their own design. The construction of buildings costing nearly \$600,000 should about enable them to put all the work "in-doors" in a country where timber is within reasonable distance. The purchase of steamers was uncalled for, as I will show later. Up to the present time the canal venture has been turned over to the administration, and neither of the men at the head of the executive department is a business man.

Our able President certainly never has had a day's time for the practice of business methods and our Secretary of War is an able lawyer; both honest men, but as easily misled by schemers as any ordinary "jay" when caught out of their element.

Their time is so taken up that nearly everything done by their order, is not considered by them; they merely sign a lot of prepared papers daily laid before them by Secretaries.

Before the congressional committee in January, one of the important matters called to the attention of the committee where a clear assumption on the part of the executive,

of powers belonging only to congress had occurred, the Secretary of War acknowledged that it was wrong, but said he undoubtedly had signed the order.

Another instance of the danger of imperial management is the oil contract made with a California company.

In this contract it appears that for \$500 per month paid into a school fund the oil company receives an executive "concession" to lay a pipe across the Isthmus and agree to furnish oil at 90 cents per barrel to the railroad and other work requiring power. This is a good round price for California fuel oil as it is worth but 20 cents in the field, but it would cheapen the operation of the railroad in comparison with the use of coal.

In granting this concession which is quite in line with true imperialism, a real monopoly was created by our Executive Department in Panama, at the very time that the President was attacking supposed monopolies in the United States.

It also develops one of those ridiculous differences between officials when in control of government operations which usually ends in retaining old fashioned methods.

The President of the commission condemns its use, while the chief engineer says it would help. The President of the commission knows it will take away a good deal of tonnage from *our* line of steamers. He is a railroad man from east of the Rocky Mountains, accustomed to the use of coal, and reports to the President that a reason for not changing to oil would be that native firemen could not be instructed how to use it. Oil is used generally by Pacific Coast Railroads and if a native fireman could not learn its use after twenty-four hours instruction he would not be a safe man to even ride on a locomotive.

If the government is allowed to purchase millions of dollars worth of machinery and put it on the ground, the object of asking for bids will be defeated and cheap construction absolutely prevented, because the management of the canal, to prevent criticism, would naturally oblige the use of the machinery purchased.

The canal has been used as a "plaything" up to the present time and it is drifting into government hands so far that it will be hard to correct the mistake.

Then again the executive department has shown such an evident intention to do the work its own way that contractors will soon fear to venture.

The American plan of construction under contracts let to citizens of the United States would take the canal out of politics, because any one who desired, could have his chance to bid and if successful would secure the work. He would employ his laborers and get them cheaper than the department. He could even import women as the commission has done, and no scandal occur to our government. He could work four hours or ten without infringing on any law. He could hire whom he chose, and not have a civil service rule to hamper him.

In fact contractors would construct the canal for two thirds what the government could do it for and still carve out handsome fortunes for themselves.

It is wrong for our government to import laborers on a public work and enforce laws against her own citizens to prevent them from doing the same in the United States.

Already the commission demands that the eight hour law be suspended on this government work, and the chief engineer also asks that our silly civil service rules be suspended on the Isthmus. In fact the executive department is finding out that about all the "reform" laws regarding labor are impracticable when any great work is to be accomplished. This revelation chagrins the socialist but makes the imperialist laugh.

But the most important point gained would be the restriction of power on the part of the executive department. The canal would be constructed by American citizens without a complete overthrowal of our whole system of government even in the little strip across the Isthmus. What an acknowledgement to the Kings and Emperors of the world it is, for us by our action to say that a Republican form of government has to adopt monarchical systems to accomplish the digging of a ditch.

The first move made by the executive department was a mistake when the President called on a lot of foreign engineers to consult over the matter. While American engineers were called upon to operate every great mine clear around the world, and build bridges and structures and accomplish

engineering feats in India, Africa and on the Continent itself; how strange that we should want advice on such a job as this. We have a ship canal owned and constructed by the United States, through which as much traffic passes each season as goes across the Atlantic Ocean, and it was an insult to our civil engineers to assume that they needed assistance.

France was about the only nation having had experience, and it appears that it would be better not to do anything they would recommend.

If this American canal which is being constructed with American money cannot be built by American brains it had better not be built at all.

If the government will but give the contractor a "show," some one will install a plant of machinery there that will make the "Bucyrus" 95 ton shovels, and the great bungling French appliances for handling dirt, look like pigmies, and the time of construction will be reduced one-half.

The Panama Canal is a big venture, but it is not too big for our enterprising American contractors to handle successfully, and as the effort to construct now being made by the executive department (and forced to do it by a subservient, lazy or incompetent congress) is accompanied by a complete change of government methods, it is not proper to continue the experiment.

It should be changed before the executive department gets in so deeply as to oblige the people to stand material loss in the end.

To show the entire lack of business understanding and reckless disregard for constitutional and other authority, the ridiculous currency arrangement entered into with the Bankers of the Isthmus and the Republic of Panama by the Secretary of War, is an instance. The Secretary of War agreed with the Republic of Panama to maintain the value of the Panama Peso at 50 C. gold value. Some foolish bankers on the Isthmus who thought silver was going to be at a low price, agreed to furnish silver when wanted on ten days notice, for additional coinage. Fortunately for these bankers their contract expired April 29th, 1906, as the silver in the Panama dollar is now worth over 53 cents gold, and the Panama dollars are disappearing from circulation. It is evident the bankers would have "gone broke" if a ten year contract had been made, and

as it is our government has lost all of the money used in establishing a "standard of currency" in Panama. In the Commissioners' report to congress they complain of a scarcity of money in Panama and say the silver money does not circulate, apparently not knowing that the silver was worth more as bullion than as coin.

It will be found that the Panama dollar, the Phillipine dollar, and the Mexican dollar based on 50 cents gold value, will all disappear from circulation, unless our imperial government makes it a criminal offence for a man to leave the Panama or Phillipine reservations with silver dollars in his pocket.

By reading over the powers delegated to congress by the constitution, it will be noticed that the Secretary of War or the President had no business to make any such arrangement; as the power to coin money or regulate the value of foreign coin, is purely a congressional duty, and if this matter had been left with congress there were a number of business men in that body who would have called attention to such a possibility.

Mr. Sibley of Pennsylvania and forty other congressmen would have explained this matter and saved the display of lack of business understanding evidenced by the action taken by the government.

However, this vast American business enterprise is now going on in un-American ways, and the people will have to pay the loss.

NOTE: After the foregoing chapter had been incorporated in this book in such a way that it was not advisable to change, I note by newspaper information, that the Executive Department has determined that it is impracticable for it to construct the canal with government employees, and is asking for bids on the work.

In this call for bids the very difficulty which I explained is made apparent.

The Commission clearly demands that contractors use the machinery, railroad and steamship lines it has purchased, and in addition obliges the contractors to utilize the labor contracted by it.

It restricts contractors from discharging the "gold list" men employed without the consent of the commission, and clearly indicates to contractors that all cement, explosives, oil, coal and other fuel or electricity used must be purchased through the Commission and the repairs on machinery made by the Commissions employees.

The commission indicates that it will charge 15 per cent above expenses for repair work, but do not state what will be done on supplies.

Through the government ownership of the railroad and the machinery a contractor could be made rich or a pauper at the whim of the government employers.

The call for bids is supposed to come late in October and close early

CHAPTER VI.

PANAMA R. R. AND STEAMSHIPS.

The apathy with which congress views the governmental experiment in canal construction, railroad and steamship business and governmental control of everything in Panama, is one of the remarkable political errors of the times.

It would appear that congress and the administration was attempting to prove by experiment the value of a government along imperial or socialistic lines of thought.

The effort will be heralded by stump speakers and publications which advocate public ownership and control of everything, as proof of their position. In addition to absolute control of the canal zone the administration has been allowed by congress to practically drive every private enterprise away from the venture, so that under the present management only employees of the government are allowed to assist in construction, or receive benefits therefrom.

It never was intended that the government of the United

in December, so that any great contracting firm who had not received a "tip" in regard to this change of policy could not enter into the competition.

Ridiculous rumors of a Belgian company taking the contract is already heard, as though the government of the United States could make a contract with any but American citizens in such a venture.

It evidently was allowed to circulate with a view of deceiving some American company into entering into the competition, because it would create scandal to have bids received only from persons who have been closely allied with the officials at Panama or Washington.

If the railroad and steamship lines, and the machinery had not been purchased by the government, responsible contractors could do the work, and do it their own way, and at a price which would pay back to the people of the United States their money if they would sink the steamers, blow up the railroad, and throw the machinery into the sea. The class of contractors who would accept the proposition as presented are merely percentage grafters on labor, and not the kind of contractors who do great things.

It will be found that this attempt to have our government "do business" will but repeat the failures of the past.

Because of Congress having failed to do its duty in this matter it is evident that the people will lose many millions in money.

States should enter into competition with its citizens in any business venture, and it is against public policy to commence the attempt at the present time. Then again, it is expensive, and the results already show that it is wrong.

The usual results of public ownership or purchase are already shown in this transaction, and as the work progresses the cost to the people will only increase.

One of the first wrong moves was the purchase of the railroad and line of steamers connected therewith.

The government was swindled in the purchase of the railroad and it had no business to buy the steamers.

The purchase of the railroad at practically \$60,000 per mile, when bonded debt is considered, and the fact that its track and equipment at the time was practically of the third class (nearly obsolete) is proof that the government paid much more than it was worth, and the subsequent action of the commission in lending money of the United States to the railroad, and making contracts for things unheard of before in government financial transactions, make the railroad venture one that certainly will discredit all concerned.

There is no doubt but what some one made a good commission out of the deal, and it was one in which the government should not have taken part. It tends to prevent private capital from venturing in any part of the vast undertaking; because the ordinary contractor knows what a crank a government officer can be when in charge of such a property.

If a private citizen should want any accommodation the mosquitos would eat him up before he could get his card carried in to the Poo-Bah in charge. It would have been much better to have let the railroad alone and if it did not furnish service, give a charter to another company to build a competing line.

A corporation could do the work for half the money it will cost the government and make money.

To show how "government control" works, the operation of this railroad is a fair example. In 1904 but 50.58 per cent of the earnings went into expenses; in 1905 it took 63.45 per cent. and for the four months ending October 1st, 1905, it actually cost 76.78 per cent. of freight receipts to pay operating expenses.

In 1905 although the rate per ton averaged 14 cents

more on freight hauled, and the commercial business increased 83 per cent, the railroad earned \$98.058 less than the year before.

Like every other government-owned venture, the officers and civil service employees will soon think the road is run for their pleasure and that it would be a disgrace for them to work.

The commission reports that the average charge per ton per mile for freight hauled over the Panama railroad is 7.07 cents, while the reformers and the President ask congress to "regulate" rates in the United States where the average is 0.76 of a cent, or only one-tenth that charged by the Panama government-owned railroad. It is fortunate for the government that this road is out of the jurisdiction of the Inter State Commerce Commission, if a law is passed giving them power to decide what a reasonable rate should be; because this is about the most unreasonable rate on the American continent, and after the payment of 5 per cent. dividend on the capital stock it only passed \$4,248.50 to profit and loss account for the ten months ending October 31st, 1905.

The officers in charge of the railroad evidently forgot that they were government employees working for the people of the United States and at one time published the fact that if they could not get steel and material at a satisfactory price from the United States they would buy it in Europe and save a few dollars thereby. This threat coming from the employees of a people who maintain a protective tariff, with a view of keeping our money at home and employing American labor at high wages, was a ridiculous proposition.

Congress should if necessary, pass a law that these men cannot buy a thing except from citizens of the United States the same as in our other departments.

While it was a bad move to purchase the Panama Railroad, it was worse to buy and attempt to run lines of steamers in conjunction therewith.

In the original trade with the Panama Railroad Company the government bought three steamers and a lot of tugs and lighters paying \$640,906.80 for what had been reported in Poor's Manual as being worth \$585,556. In the floating equipment there were three steamers the "Advance", "Fi-

nance" and "Allianca" which were inventoried as worth \$370,169.27 but on which the government in the last two years has expended \$392,330.39 for repairs, which would almost warrant the conclusion that this was not a good purchase, and one that a private corporation would have rejected.

Succeeding this the commission has purchased two other steamers paying \$650,000 apiece for them and has leased them to the Panama railroad at an annual rental of \$52,480 each.

We now come to the most extraordinary feature of the government attempt to do all the business connected with the canal. The commission in its report to congress felicitates itself over having been able to contract with the Royal Mail Steam Packet Company and the Hamburg American line (both foreign-owned steamship lines) for service between New York and Colon, increasing the business of the railroad by the transaction.

They also say there are strong indications that Chili and Peru will subsidize steamers to work in co-operation with "our" Panama railroad and they go on and say that the co-carriers are authorized to fix competitive rates to secure business" an agreed percentage of such through rates to accrue to the company" and that they have advertised this fact and feel disappointed that no reply has been made to their request.

One of the few American owned lines of steamships is the Pacific Mail. It is owned by American citizens and although it has lines of steamers running to China and Japan, it also maintained a line to Colon from New York and from Panama to San Francisco. Competing as it must with the Canadian line of steamers which receives a subsidy of \$300,000 per year from the Canadian Government for running one ship a month to Oriental ports, its trans-Pacific business pays but a small profit. Its business from New York to San Francisco is limited in amount, through fierce competition of our trans-continental lines, and the result is that its stock sells under \$50. per share and has been as low as \$17. in the past few years.

It has paid no dividend for several years and has a hard time to keep even.

In 1902 it made a profit of \$16,846.75 out of a ten million dollar investment and in 1903 \$323,103.53.

Prior to 1892 the transcontinental roads paid this Company \$75,000 per month as a bonus to keep them from making rates so low as to prevent the railroads from charging a price which they thought necessary to carry the business across the continent; but the increase of traffic now received by the transcontinental lines enables them to make rates, paying no attention to the water route, the same as is done by our eastern roads in competition with river or lake transportation.

The acceptance of that subsidy prejudiced many against the Pacific mail, but the people certainly do not want the government to enter into a direct competition with a set view of destroying one of the few American lines of steamers.

It would be an expensive undertaking because the same reckless increase of expenses is already shown in the steamship venture, as is shown on the railroad.

We find that while the freight carried increased 39 per cent. between the years 1904 and 1905 that the expenses pertaining to the steamships owned by the government increased 48 per cent.

The handling of coal and cargo cost 50 per cent. more than the year before. (in 1904 it was \$138,063.62, in 1905, \$185,451.15)

Even the wages paid sailors increased from \$118,025.10 to \$154,123.40. In addition to the above the commission has relieved the Panama railroad from dredging, so that the canal expenses really cover thousands of dollars which would be paid by a private owned steamship line. The President of the commission reports that "the larger tonnage carried by *our* steamships out from New York is attributable to a gradual development in commercial traffic by *our* line etc., etc." and winds up with the remark "that the advisability of chartering one or two large cargo boats to carry heavy, bulky construction material and equipment to the Isthmus for the commission and railroad company, is under consideration."

These men are carried away by the power given them, and are actually allowing the government to enter into direct competition with citizens of the United States in ocean transportation. It is a violation of the rights of the citizen reserved to the people under our constitution.

The congress itself cannot enter into a transportation business and crowd out personal endeavor.

The assumption that ships cannot be secured or chartered from American citizens to do this business is puerile, and a fraud on the public. If bids were asked for in the regular way the freight wanted by the canal could be contracted at 25 per cent less than what it would cost in government owned ships, and it would help increase our merchant navy, an object so much desired.

If the repairs are included in the expense of operation it can be seen that private shipping could have carried the traffic between New York and Colon for one-half what it had cost the government, and at that made a profit. The War department in owning and operating a line of transports, and now operating this line of steamers is doing what the people of the United States should condemn.

Great stress is laid in some quarters on the decline of our merchant marine, and here at Panama and in the trade to the far Phillipines, our executive department is operating lines of steamers at the cost of the tax payers and driving out our merchant marine from two prospective profitable fields of operation.

All maritime nations encourage private owned lines, and most of them pay subsidies, and to meet the needs of war, contract with the lines for conversion of steamers into cruisers and transports when necessary; but it appears that we attempt by government competition to drive private owned steamships out of business.

If the complete expense attendant to one year's operation of a government transport is figured, it will be found that it would be cheaper to send all our soldiers by first class cabin passage to the Phillipines and pay the freight charged by commercial lines on supplies and in the Panama affair, once the red tape "do nothing," government style gets fully started, the expense will be double what chartered ships would gladly contract for delivery. A ten years contract could today be made with responsible private parties at a price that would make a profit for the people, if every government owned ship now competing with private ventures in business, were scuttled and left on the bottom of the sea.

Because the government may need transportation at

some future time it is ridiculous to attempt to keep a fleet of steamers in commission. Japan had a great naval war and withdrew her passenger steamers for the emergency, but all are back again to work.

I do not make this criticism in any way personal as to men. It is the system which is wrong.

It is against our public policy; developed through nearly one hundred and twenty years success.

The founders of our government did not believe in the government doing any kind of business, especially in competition with private endeavor, and while this canal is a great big business proposition, it is not so big as to warrant this nation in violating every principle dear to our institutions.

The whole plan as at present operated is but sowing the wind that will bring the whirlwind as a harvest. It is wrong in either a business or political sense, and congress should assume its duties regarding this public venture, and not let the executive department speculate in construction work and steamship and railroad transportation and oblige the people to pay losses, if any occur.

There is no reason why we should depart from our system of governmental operations on account of the canal. Congress should limit the executive department to the duty of executing the laws and not allow it to operate any branch of business or compete with private enterprise, in any business undertaking.

The construction of the Panama canal is a business undertaking, and should be separated from political management.

CHAPTER VII.

RATE REGULATION.

The movement which has resulted in a law attempting to regulate and name rates on railroads, is one of the results of the socialistic agitation going on in this country.

Socialism and Empire have so many interests in common that the supporters of these two theories have converging lines of thought.

The Socialist desires that power to control capital be placed in the hands of an Executive of his choice, and an Empire desires the same power for personal ends.

To the owner of property either control would amount to nearly the same thing. In all Republics which have ended in Empire the Executive has assisted the socialist in his desire, until the time should come, for him to place the yoke of submission on his neck.

The sentiment which has culminated in this first intentional defiance of the Constitution, was manufactured by two influences—maudlin socialism and Executive manipulation.

This issue was forced on a Congress elected as conservative Republicans through deceit of a branch of the Executive Department, and the House of Representatives under whip and spur voted on a question never referred to the people or understood by them, as being an issue in any campaign. Of course, every Socialist in the country applauds the action because it is the entering wedge which they expect will rend our written constitution and enable government to control and ultimately operate everything. This action being a direct blow at the constitutional rights of property owners guaranteed to us by our forefathers, is so important that I give in succeeding chapters details in regard to results of government control of business affairs not generially known and understood.

It is a political mistake attempted without consideration by the people.

The remarkable thing which it develops, is the fact that a sentiment can be "worked up" by a branch of the executive department entirely un-American in thought, and when urged upon congress by the President, it passes the lower house with a dozen unconstitutional features, and when trimmed down and amended by the senate, still violates the most sacred principle of our form of government.

Placing an initiative control of private owned property in the hands of a commission appointed by the President (and thus an adjunct of the executive department) was never intended by the framers of our constitution.

The whole agitation can be traced to the members and employees of the Inter State Commerce commission.

By persistent "lobbying" at both ends of Pennsylvania avenue this commission, under pay of the people has misrepresented the interests they were supposed to assist.

They have caused to be published many articles attacking the railroad interests and favoring the Commission's demand for increased power. They have distributed blank petitions for signature and sent out sets of resolutions ready for adoption by meetings called through their suggestion, in an attempt to make it appear that "the people" demanded the change. They asked to be made the final judge regarding what a reasonable rate for a locality, or between railroads and shippers should be, and that a practical regulation of traffic affairs be placed with them, with power to order enforcement of their decision. The commission obtained the ear of the President, and he has joined with them in asking that this power be placed in the hands of the executive department.

Taken in conjunction with the gradually growing tendency of that department to take to itself powers beyond those intended by the founders of our government, it certainly should cause alarm.

The creation of this commission in the first place was a joke. A "Farmers' Alliance" craze had caused several states to become uncertain politically, and the party in power for the time being, thought that by apparently complying with the demand of the "people" (who from present ap-

pearances have all died) they could definitely attach that element to their party, if a law were passed creating the Inter State Commerce Commission.

It was not supposed by any one that the Commission would assume to interfere with the handling of the railroads of the country, and Mr. Cleveland in appointing the first commission used it as a graveyard for politicians whose star had set, or as a compliment to friends in the opposite party who had assisted in political changes.

It was supposed that this commission would compile statistics which would be of value, and hear complaints made by communities and shippers and if any material wrong was being committed the attention of the courts would be called to the matter and suits brought to correct the same.

During the past few years through changes brought about by executive appointment, and the activity of several employees of the commission they have taken themselves very seriously, and the same as in nearly all of our executive departments, they have been allowed to gradually crowd themselves into a wrong position.

Through incapacity or carelessness they have not been successful in having the courts confirm their decisions, or order the railroads to do what they thought should be done, and their idea is to have power enough given them to enforce rates and rules without the intervention of the courts.

For a commission constituted as this has been, of political castaways or superannuated lawyers, it is strange that they should have made such a record in the courts, because of lawyers being on the commission and no railroad men. The members of the commission trying to follow the lead of Germany, France, England and Canada, could not get it into their heads that under our constitution private citizens retained the initiative in business matters, and they continually made attempts to order changes which affected property rights.

Their record in the courts naturally was a succession of failures. Since the organization of the commission to the end of the year 1903, sixteen cases had come up to the Supreme Court of the United States and they were beaten in all except one, and that only allowed part of their contention.

In the various circuit courts of appeal in sixteen cases

in which the commission asked that their orders be obeyed, they succeeded in getting a decision in that division of our courts in four cases, and the supreme court reversed those four decisions on appeal.

In the circuit courts of the United States out of 31 cases tried, they lost in all except seven, and on appeal all but one of these cases were reversed.

With such a record as this it is strange that such a body of men should ask more power. Their absolute failure to fulfill the duties already placed upon them, or to grasp the fact that the creation of the commission itself was merely a sop to a morbid section of the public on the part of a scheming combination in congress, would prove that they were unfit to assume affirmative control of any great venture.

They had proved their lack of understanding of the law, and a lack of political perception almost childlike.

The commission in their suits at law were defeated because they attempted to take initiative action or attempted the control of property of citizens. They appeared to persistently overlook the fact that courts can correct wrongs, but cannot order a future use of corporation or private property.

The safeguards thrown around our ownership of property by the constitution in words, when the intent of the framers thereof is considered, recognizing that the nation came into existence through a protest against government control of private affairs, should naturally place the courts as barriers to such aggression.

The 327,000 owners of railroad shares of record, and the other millions of people interested in railroad property through savings banks and insurance investments have a right under the constitution to retain control of their property and are guaranteed under that instrument from undue investigation or seizure. Congress itself is prohibited from taking powers not delegated to it by the constitution and it should be restrained from an attempt to take initiative control of any private owned property. If a constitutional amendment was offered changing the guarantee given property owners in that instrument, not three states in the Union would vote for it, as it would be explained during a political canvass, that the privacy and safety guaranteed by our

constitution from government or other forms of seizure or investigation, is the greatest "liberty" we possess.

The present agitation has been engineered by the executive department of our government, through the activities of this commission and the executive himself. It but panders to the same kind of "people" who made the Farmers' Alliance great twenty years ago, combined at the present time with the labor unions, which have become tinged with socialism, and the socialists themselves. When the thinking people who cast their votes for the public good, understand the question they would not advocate such an encroachment on personal or corporate rights as is advocated by this movement.

The commission claimed that the intent of the law makers who created the Inter State Commerce Commission, had been misconstrued by the courts, and asked that power be given them to act without the courts approval. They have used peculiar expressions in public utterances on the subject; saying the courts had "defeated the purposes of the act" they charge the courts with having "eliminated", stricken from the act" and "seriously weakened by judicial interpretation" the force of the Inter State Commerce law, and assert that the judicial branch of the government has "emasculated" the act etc., etc. They called on the Legislative branch of the government, to join the executive branch and pass a law taking the power of review from the courts; and the lower branch of congress, under fear of executive displeasure, servilely agreed to this clearly unconstitutional proposition.

It was fortunate for the bill itself and for the people that the senate threw out the monstrous proposition, but it would have been better to have defeated the bill entire, as the whole movement on the part of the executive department has been one of false pretense.

The pretended demand of the people; the pretended charge of unfair rates; the pretended demand for initiative power on the part of the President in the interest of the "people" when in fact it was intended to be used as a club over the great railroad interests of the country, making them subservient to executive authority and domination; are all a fraud. In fact the rate regulation nonsense was

engineered by the executive department with a view of building up additional power on the part of the executive, although that department had already become top-heavy through the cowardice or ignorance of congress.

The action taken by the lower branch of congress shows that we face a danger to the Republic. This legislation was "ordered" by the President, claiming to represent the "people", when in fact the whole expression of public opinion was manufactured by the Inter State Commerce Commission (an adjunct of the Executive Department.)

Senators and representatives who mildly protested that the legislation was not for the best interests of the Republic lost favor at the White House.

The Congress wrongfully has built up the executive power, so that a representative's efforts in congress will result in success or failure in proportion to his loss of manhood and servile obedience to the orders of the President and the Speaker. In this rate regulation controversy, a bill repugnant to every Republican, a clearly populist, socialistic and vicious measure, was passed nearly unanimously by the House, although filled with unconstitutional provisions, because the Republicans fear the President and the Democrats want to disgust every property owner in the United States with the party in power. A danger to our institutions is presented when an executive recommends that courts should not interfere with an executive commission's action; and to have one branch of the legislative department follow the suggestion; it plants a sign board which points to Empire.

A manufactured demand of the "people" could be worked up by the executive staff in behalf of a twenty year term of office for a popular President and petitions much larger than those presented by the Inter State Commerce Commission could be obtained.

With this done should the President after securing power to regulate, control and intimidate all of the great corporate and private interests of the country, with the Army and Navy at his back and a congress such as the one of 1906, which blindly follows orders irrespective of the constitution or anything else, see fit to grasp power, our national political troubles could be settled for the balance of my natural life.

We would have a Dictator.

The question as to whether we want inquisitorial investi-

gation of business affairs and government control of utilities, should be presented in the form of a constitutional amendment and voted on by the people, but in justice to every interest, the executive and congress should not attempt "to get around the constitution" by the use of vague language, or attempts to deprive the judiciary from partaking of their part in government.

If the people want to give back to the Executive the power taken away by our Revolutionary War it should be left them to decide; it is wrong for the President and Congress to take that power through tricks of legislation.

This law even as amended by the Senate takes away from a great class of investors their rights gained through the war of the Revolution, and it is small satisfaction to the people who *lose control of their property*, to retain the right to "holler" and publish their troubles in the "press."

CHAPTER VIII.

POWER REQUESTED BY INTER STATE COMMERCE COMMISSION AND PRESIDENT.

In the last chapter I have called attention to the members of the Commission's criticism of the courts and that this criticism was brought about through the fact that in every attempt to make railroads adopt their ideas of management or regulation affecting profit and loss, which would naturally affect the ownership of the property adversely, the courts overruled them. It is useless to say that in the opinion of ninety-nine business men out of one hundred the courts were right. In the first reports of the Inter State Commerce Commission it stated that "the Commission had no power or jurisdiction regarding future conditions" and in regard to a suggestion that the Commission could construe, interpret and apply the law by *preliminary* judgment Commissioner Walker said "that a moment's reflection will show that no such tribunal could be properly created."

Notwithstanding this position taken by one of the ablest members of the Commission and supported by Commissioner Cooley who even went so far as to say the Commission "could not suspend the long and short haul provision of the law, because it practically would require the Commission to act as rate makers to equalize the business situation," and said that for the Commission to attempt that work, "it would be impracticable", the present Inter State Commerce Commission, now backed up by the balance of the Executive Department have induced congress to attempt this impracticable thing.

The President in his message, after moralizing to a more or less extent, called attention to the great corporate wealth existing and said in his message to congress: "it is a matter of necessity to give to the sovereign—that

is to the government which represents the people as a whole—some effective power of supervision over their corporate use."

He called attention to the fact that congress is authorized to regulate commerce between states and says that if under the present constitution this "power to regulate" does not allow congress to do the thing that he requests, an amendment should be made to meet the situation, and plainly suggested that congress try it any way, and see how it would work; and then made the startling assertion that "we should hereafter carefully undertake and resolutely persevere "in an effort to "assert the sovereignty of the national government by affirmative action."

The President says that this is only a form of "innovation" and says it has been recognized by law making bodies generally "not only in this country but also in England before and since this country became a separate nation." This sentence can be read two ways—it is right if it means that England and Canada have recognized affirmative or initiative action in the Executive Department, but if it means that the United States since our revolution has ever recognized this right it is an error, or it only has been because the exception was too trivial to bring to the attention of the courts.

That is the difference between monarchy and freedom.

He says it has been a misfortune that our laws have been negative, rather than affirmative, and that it is time to change.

After asserting a belief that all great accumulation of wealth should be regulated and controlled, the President said: "The first thing to do is to deal with the great corporations engaged in the business of interstate transportation."

He recommended "the enactment into law of some scheme to secure to the agents of the government such supervision and regulation of rates charged by railroads as shall summarily and effectively prevent the imposition of unreasonable or unjust rates" and he called upon congress to give "an affirmative power to some administrative body" (meaning the Inter State Commerce Commission.) He said that "the most important provision which such law should contain is that of conferring on some competent ad-

ministrative body *the power to decide*' whether rates were reasonable and "to prescribe the limit of rate beyond which it shall not be lawful to go"—this decision to go into effect, and to obtain thereafter subject to review by the courts.

A few suggestions were made by him as to how the Commission could regulate rates. The message said: "It sometimes happens at present, not that a rate is too high, but that a favored shipper is given too low a rate. In such a case the Commission would have the right to fix this already established minimum rate as the maximum." and said this would cure railroad companies from giving low rates.

After suggesting heavy fines for failure to obey the Commissions' order and that they be given power to determine fair competitive rates between localities, and recommending that all kinds of freight lines, private cars, industrial spurs etc., etc., be turned over to the Inter State Commerce Commission's supervision, the President took four solid columns of space in his message to say that he is not an imperialist or a socialist, but that he advocates their theory of government. He wants the very foundation of our freedom destroyed if he believes what he recommends the congress to do. He recommends a revolution in our law making power which would put us back to the same position we were in before our separation from England, and he claims it is done through the will of the "people." Of course the congress had a difficult task to perform. They knew from the tone of the message that it was doubtful as to whether they could frame a bill to cover the ground, and they have made an endeavor to "get around the constitution" by a trick of legislation.

The attempt is shown in what is known as the Hepburn-Dolliver bill and its amendments.

It appears that the Commission is to see to it that transportation is furnished on reasonable request, that no schedule shall be changed without thirty days notice and that the Commission have power to fix a "just, reasonable and fairly remunerative rate which shall be the maximum rate."

It is the evident intention of this law to give the Inter State Commerce Commission the power to do the following wrongful acts:

First: To fix a rate which in their estimation shall be a just and reasonable rate, which shall be the maximum to be charged.

Second: Through an initiative power to adopt any low rate given by a railroad company, and enforce it as a maximum rate to prevent railroads from giving low rates.

Third: To order that no change in tariff can be made by the railroads or the Commission without thirty days notice.

Fourth: To oblige railroads to furnish cars to all shippers alike, on reasonable notice.

Fifth: To investigate books and papers of railroad companies to enable them to decide what a reasonable rate would be.

(In this it was the evident intention of the President that so-called "watered" stock should not be considered in the computation.)

Sixth: To supervise the private car lines, regulate icing charges on refrigerator lines, and by investigation of books and papers see that these companies do not make more than a fair interest on their investment in good years, and stand the losses of poor years out of their own pockets.

Seventh: To see that no one locality is treated better in rates or accommodations than another.

Eighth: To suspend the long and short haul provision of the law of congress in regard to that feature of rate regulation.

Ninth: To prevent issuance of passes except for certain purposes.

Congress had already passed laws making it an offence to charge more for a short haul than for a long one, and also provided stringent laws regarding rebates. As the constitution authorizes it to pass definite laws regulating Inter State Commerce, this is within its province, but it is questionable if even these provisions are a benefit to the country, as I will show further along.

The provisions I have mentioned are not only unconstitutional in attempting to place in the hands of a Commission initiative power not placed in the Congress itself, but are against public policy and will strike a staggering blow to our future prosperity.

I do not believe that any fair minded business man after reading these nine provisions, can fail to say that this action puts the greater part of the financial management of our railroad system into the hands of the Executive Department.

I am willing to acknowledge that this power is granted a Commission in Canada and England, and that the Emperor of Germany and Czar of Russia run the railroads as a government adjunct, but I will show that not one of these countries are as successfully served as we are, and I hope I have shown already that it was not the intent of the founders of our government that we should do these things.

The fact is there are no business reasons for the change demanded; both of them are political.

First: The executive department of the United States wants to be able to dictate to the great railroad interests of the country and oblige them to become subservient to the executive will.

Second: This whole talk of the move being so pressing, is but playing to the grand stand filled with agitators, cranks and socialists who appear to occupy the stage for the brief moment.

The class of our citizens which delights in decrying every success; which would like to tear down the work of others and desire government to in some way stop abler men from reaping benefits greater than the most ordinary, has caught the ear of our impulsive President, and he mistakes this socialistic clap trap for the voice of the people."

Go slow! This rage for "public control" "public investigation", "busting trusts" and a general desire on the part of idle babblers and weak politicians to attend to every body elses business, will wear away the same as the Greenback, the Farmers' Alliance, Populism and many other political vagaries of the past.

While the excitement is new, and the man who advances the most startling things in the way of "reform" stands in the "lime light"; by 1908 a politician who would advocate seriously that laws should be passed under the name of "reform" that would change the intent of our constitution, nullify the past expressions of our courts, alter the powers of our congress and create a semi-dictatorship within our

executive department; would be laughed at the same as the populist orators (who were just as honest in their convictions) were a few years ago. But in each one of the nine "reforms" advocated by this legislation there is positive danger to our business prosperity.

I shall endeavor to make plain some of the dangers to different sections of our country, and possible loss to the public, if these powers are confirmed by the courts and show why most of the changes demanded are "impracticable."

It certainly will unsettle business affairs in a good portion of our country, and probably injure the public much more than the railroads.

CHAPTER IX.

SOME COMPARISONS.

From the language used in the President's Message, one would gather the idea that some great wrong was being perpetrated on the American people by the railroads of the country. That immediate action must be taken or the "people" would be robbed, and possibly communities ruined by grasping corporations.

While the President did not use the language of the blatant socialistic speakers on the street corners, his message clearly reflects their views and his recommendations receive their applause. All over the country these agitators now claim that the Republican President acknowledges their charges to be right, and adopts part of their theory of government as a corrective for the evil.

The cause of socialism has received its greatest assistance through the action of a Republican President. Now let us go carefully over the transportation systems in vogue in this country and in others. We will compare them and get at results. Let us see if the charges made by Bryan, Debbs, Tillman and LaFollette and which was evidently accepted as true by the President, really are facts.

If the railroad owners of the United States are taking an unfair advantage it should be known and exposed fully.

If they are doing a good service it should also be understood and credit given them.

If the regulative control or ownership of railroads by government, is an improvement on our system, let us recommend it, but if it is demonstrated to be worse in practice than where private parties own and control them, it would be foolish to change.

There are a few facts, not generally understood by the American people which are of interest, in discussing this transportation problem.

I will make a few comparisons and while they may be surprising they are conservatively stated.

For instance: over forty per cent. of all the railroads in the world are in the United States.

No other single nation has over one-seventh as many miles of railroad as we have in this country.

There are single systems of railroad in the United States which carry more freight than the whole traffic amounts to in many of the European nations.

The transportation problem is more scientifically handled in this country than in any other.

We pay a far lower rate of freight than is charged in any other country and our people as a whole receive more benefit from railroad transportation than any other.

In 1904 (the latest figures at hand) the following rates per ton per mile prevailed in the various countries having a fair amount of traffic:

The United States.	0.76 cents
The United Kingdom.	2.47 cents
The French Republic.	1.33 cents
The German Empire.	1.25 cents
The Austrian Empire.	1.25 cents
The Kingdom of Italy.	1.60 cents
The Kingdom of Sweden.	1.70 cents
European Russia.	0.99 cents
Australia.	2.08 cents
India.	0.85 cents
Japan.	1.03 cents

In the succeeding chapters explaining the operation of railroads in Europe, Russia and India, details will be given and the reasons for the exceptional charges in those countries will be shown.

At this point I wish to make it plain that the railroads of the United States charge about one half what is charged in other nations. The next thing I wish to impress upon the mind of the reader is the fact that the 1,500,000 employees of our railroad systems (there were 1,312,537 in 1903) receive from two to three times the salary per man, which is paid in any European country.

A comparison of wages paid by the English railroads, where labor unions and lack of government owner-

ship have allowed the highest wages in Europe to be paid, with those in the United States would be as follows, per day:

Engineers.....	United States	\$4.16,	England....	\$1.50
Firemen.....	" "	2.39,	"	.....1.02
Conductors.....	" "	3.54,	"	.....1.20
Trainmen.	" "	2.31,	"	......96
Machinists.....	" "	2.61,	"	.....1.16
Shopmen.....	" "	1.92,	"	......84
Section Foremen..	" "	1.79,	"	.....1.38
Other Trackmen..	" "	1.32,	"	......74
Laborers.....	" "	1.84,	"	......72

The average wage paid railroad men in England amounts to \$244. per year, while in the United States the average is \$643 and the English railroad man receives the highest pay in Europe. These two facts show how successfully our railroads have been managed. When it is known that 64 per cent. of the expenses of operation are wages and salaries paid, it causes students of political economy to almost question the figures.

There are other physical features which further complicate the comparison.

The English roads through superior construction and the elimination of grades have cost over five times as much per mile as the average in the United States, but with this vast expenditure it *costs* these roads nearly twice as much to haul freight as the American roads charge their customers.

There is not a government owned railroad in the world but which pays out for operation as much as the average *charge* collected in this country.

This anomaly in the conduct of business can only be accounted for by crediting our railroad managers with superior ability in working out vast transportation problems. The fierce rivalry between our railroads have driven them to a complete change of equipment in the last few years.

The result has been great improvement in this country, while the roads of Europe have merely held their own.

European passenger equipment has improved to some extent, but nearly all of their improvement has been in adopting American methods because of shame brought to their railroad officials through comparisons made by travelers.

In handling freight (the true business of a railroad)

our transportation companies by increasing the weight of motive power and capacity of cars, have increased our train tonnage average to 332 tons per train in the United States; (the Pennsylvania Railroad system averages 540 tons) while in England the average varies from 46 to 78, and in Europe from 51 to 69 tons per train.

Nearly all of the freight cars in the United Kingdom and Europe are still of the ten ton or less capacity, while we are gradually introducing fifty ton cars for heavy traffic, and the average at present on our larger freight systems is nearly twenty-five tons per car. The rates in those countries being regulated by law, their service controlled by government, and the incentive brought on by competition eliminated, it is but natural that the roads of Europe should not improve. There is no use to protest on the part of the public in European countries, because the roads merely comply with the orders of the government, or the commissions or Boards of Trade, and the progressive business man who desires to build up some new industry which would require an innovation on the part of the railroad people, is tired out trying to find out where the power lies that could assist him, and soon moves to the United States with his new idea.

In any country where railroad transportation is controlled and regulated by the government, the "initiative" force which improves methods and conditions and the incentive to attempt new and untried experiments are eliminated.

There is no way of government regulation which does not to a certain extent positively prevent competition.

Through this non-intervention of government control great minds have developed a system of transportation in the United States which surpasses all the rest of the world, and is an effective adjunct to our business success. It is true that in this arrangement some localities have been favored and some have not received due consideration, but at the same time it is very true that the railroads have assisted more than any other single factor in the development of a great part of our country.

They were not built on the theory that this or that locality had "rights" to service; but as business ventures, either to take part of a competitive business from a rival road, to open up and assist in the development of new ter-

ritory, or draw trade to certain cities or ports in which the constructors of the railroad were interested more or less.

Having attained the first rank in transportation matters on land, and having shown the world that we can make money by carrying freight at from one-half to one-third the cost in other countries, and at the same time pay from two to three times as much wages as they do; why should we want to change to the methods of the very countries we have eclipsed?

The man who calls attention to the fact that England, Germany and Russia control their railroads with a comprehensive, initiative control, should investigate their ways and see if it would benefit the United States to have the government interfere and assume any kind of control of our railroads, which could not be expressed in a definite negative law.

If an "initiative" power be granted our executive department through the Inter State Commerce Commission, it means an unsettling influence on business in many sections of the country for several years, and will result in the end of all competition both for traffic or in the way of improved service.

It is this government control of business ventures in other countries which has enabled the United States to become the first business nation on earth.

For the purpose of competition our transportation men have built up lines of traffic (some of them entirely artificial) which have enabled this wonderful development in transportation to successfully and profitably meet a situation that would ruin any government owned railroad in the world.

I do not think the time has arrived or that it will ever come when "we should carefully undertake and resolutely persevere in an effort to assert the sovereignty of the national government by affirmative action" especially when an effort is made to assert affirmative control of private citizens property.

I suppose that the "reformers" who now see that we have the best railroad system in the world, carrying freight cheaper and paying better wages to laboring men than any other country, with the usual blindness of reformers, desire to "change all of this."

Do the people want it?

CHAPTER X.

VOLUME OF TRAFFIC.

Transportation managers in the United States were the first to grasp the fact, that "volume of traffic" was the most important factor in cheap transportation.

In the construction of our railroad systems nearly all the great trunk lines were built with the object in view of drawing trade to certain distributing points from certain other distributing points, and later in several instances where a natural point did not exist a city has been brought into existence through their exertion.

The influences which created these "constructive" railroad centers, which on their face would appear to be only an example of the rankest favoritism, and an injustice to neighboring localities; were in fact a business problem necessary to attain the ends of competitive activity which would give the railroads the line of freight sufficient to create the necessary volume of traffic.

By moving great quantities of freight along certain routes, the price of transportation per unit has been so materially reduced as to revolutionize the business of the country, and this is the reason our railroads are able to do the things shown in the previous chapter, and still make money.

Los Angeles, California, is one of the remarkable examples of a constructive railroad center. Here is a city twenty miles from the Ocean, whose citizens look with disdain on the seaports of Southern California; but who by a great strain of the imagination are given rates to compete with some mythical water competition and the result has been a phenomenal city. El Paso, Salt Lake, Denver and Pueblo are other instances. While Kansas City at one time had a seamboat line to St. Louis it has been the railroads which have built up a commercial city, at the mouth of the

Kaw, and Omaha is the direct result of railroad construction. St. Joseph had the great trade of the Missouri River country when the river was a factor in transportation, but that point and Leavenworth thought so much of their "natural" position that they threw away all chance for future greatness, because they thought the roads would have to come their way. Instead of doing so, they built to Omaha and Kansas City, so that these two latter cities are but examples of constructive railroad centers. Minneapolis and St. Paul are in the same class, and the city of Cleveland really owes her great prominence as a business center to railroad competitive influences.

The transportation problem that has been worked out in the United States more perfectly than in any other country, is the one of cheap cost per unit through creation of volume of traffic along certain routes.

No "reasonable" rate of freight could be made on a business between Los Angeles and Chicago based on handling one car per day, but by building up the trade from Los Angeles and vicinity, so that several hundred cars are shipped daily in both directions, a rate is made and profit derived therefrom, which is fifty times lower than a rate which would lose money, if but a single car was moved.

The railroad centers are not favored because of antagonism to other towns on the part of the transportation lines, but favored because of this necessity of creating the volume of traffic in definite directions. The idea has been that by making favorable rates several hundred cars per day can be transported from one definite locality to another and be depended upon as a regular business.

It enables the managers of transportation lines to figure out expenses, equipment and supplies with a definite surety that they will be needed. It is the prime cause of our economical handling of traffic. Many of these constructive centers have assisted railroads by advancing money, and Cincinnati today is heavily interested in a railroad which was constructed with a view of drawing southern trade to that city.

Hundreds of cities in the United States have given money to aid in construction of roads which were expected

to favor their localities in making rates, and several instances are known where cities nearly impoverished themselves trying to outstrip others.

Baltimore made great efforts to build up a competitive center at that point and strained her credit assisting in the construction of railroads, but after finding that a differential tariff favoring that port, and every other possible inducement, could not change the laws of commerce, she sold out her road and it now has terminals in New York and joins in the competitive trade enjoyed by transportation companies there.

In this effort on the part of Baltimore I assisted and shipped on an average one hundred cars of freight a day for months, but the lack of return freight presented obstacles that could not be overcome by the railroads, and the export business of Baltimore hardly can at any time be expected to exceed her ability to create return traffic.

Through a wise arrangement of tariff and fostering of trade on the part of the railroads, the city of Pittsburg produces more railroad traffic than any other in the world and while the river trade started the city, it has been years since the railroads have considered river competition as any factor in establishing rates.

The Connellsville Coke district has been assisted through competition and favorable rates so that it is a dull day when less than thirteen hundred cars of coke are shipped from that busy mart.

The effort to create volume of traffic as part of the rate making problem is all within the last forty years.

Prior to 1868 the Lake Shore R. R. or the three integral parts of that road between Toledo and Buffalo cut down their force on the opening of navigation; running eastward only live stock trains and the limited high class freight offered, and carrying goods westward, but not attempting to compete with water transportation on heavy or low class traffic; and while the tariff charged was four times as much as today, the roads did not pay much profit.

In the spring of 1868, however, the traffic manager gave authority to enter into contracts for freight with a limit of one cent a ton a mile, if the shipper agreed to not only give the road his business in the Spring, but continue on through the Summer.

I was the active head of operation at Toledo (the western end of the road at that time) and through the necessity of "swiping" cars of connecting roads and rushing the light equipment then in use, I passed a year of truly strenuous existence, and it was found that more money was made by the large volume carried at low prices than had been made before.

This road now charges only an average of $\frac{1}{2}$ cent per ton per mile and makes money, and it is only through the vast amount of traffic passing over its rails in set routes each day that this is done. Now there is no use on the part of Railroad men to deny that the vast accumulation of traffic over part of their lines has to be assisted by the rate making power in their hands, and I think it better to show plainly that this power assists the whole people more than it would to have the government interfere. If it is a fact that the volume of traffic is a prime factor in creation of low rates, it is a truth that the only way to drift traffic over the favorable section of road is to modify and alter tariffs to suit varying conditions.

Any hard and fast rule would not bring disaster according to my way of thinking, but it would oblige advances in those favorable tariffs, and possibly dissipate the volume of traffic to such an extent as to disturb every business venture connected with the transportation problem.

Suppose that a law is passed granting every power demanded by the executive department, *and only those demanded*; let us work them out in a business way. Keep in mind that in England after thirteen years investigation and study (under a monarchy which allows the Board of Trade to ask and receive about any kind of law it wants regarding transportation) the Board of Trade on attempting to put the new law in force, found that it was necessary to make thirty-five exceptional orders in less than one year.

It can be seen that there is a form of discrimination in making rates, one locality receiving better treatment than another, and that this is made for the purpose of enabling roads to swing enough traffic on certain lines to allow them to make cheap rates for all.

The President recommended that a law be passed giving

the Inter State Commerce Commission power to consider these matters and correct any favoritism of this character and the attempt has been made.

Any power granted by congress will necessarily have to be tied down to a hard and fast rule of some kind because congress itself is deprived of any discretionary power through the provision in the constitution which says, that: "no preference shall be given by any regulation of commerce or revenue to the ports of one state over those of another."

The government either by act of congress or a power granted the executive department, will necessarily be obliged to obey this plain provision, and the result will be the destruction of all "differentials" now made by the railroad companies between localities, and it is hard to see how any other than a definite mileage can be considered by a government board.

The principal tool used by the Inter State Commerce Commission in this agitation was a Milwaukee man, who has had a dream that his town should equal the city of Chicago, and be favored the same as Chicago has been by the rate making powers.

A government board of any kind will of necessity be obliged to order that Milwaukee be given the same favors as Chicago, and it would also be obliged to give Kenosha the same favors as Milwaukee.

Peoria, Joliet, Rockford and Aurora could claim even more favorable rates than Chicago, and the Inter State Commerce Commission would be obliged to grant them, and the rivalry of one locality against another would in a short time dissipate the "volume of traffic" and result in all being obliged to pay higher tariffs.

By the government taking hold of the supervision of rates, the constructive railroad centers now so important a factor in our cheap transportation, will be able only to take advantage of any geographical position they may have, and in many cases it will destroy the wholesale trade built up at those points. Australia furnishes a marked example.

Under private control the traffic system has been built up in the way I have described, and with the government at-

tending to its own business it will grow more perfect; but there is no way for any initiative control of such a matter by a government commission, but which would either bring disaster to the railroads or increase cost to the people. Mr. Sibley in his speech before congress on this subject said that this attempt to interfere with the rate making power by the government is "the opening of Pandora's box, the sowing of dragons teeth, the arrayal of section against section, state against state, city against city, town against town and in place of a people cemented and bound together by ties through the close exchange of property we will have rankling festers in all portions of the body politic."

Mr. Sibley was right.

CHAPTER XI.

PARTIAL ELIMINATION OF DISTANCE.

In the preceding chapter I have called attention to the necessity of concentrating a volume of traffic between definite points to succeed in giving cheap transportation.

While the Executive recommended that the Inter State Commerce Commission be given power to equalize these differences on complaint of any certain locality and the law passed attempts to comply therewith I do not believe our courts will sustain the position.

It would deprive many of the owners of railroad properties of the very purpose for which their money had been invested. The towns whose money went into railroads would be obliged to allow their venture to give some rival as good service as they received themselves and at as favorable rates. There are many features in such a movement that would prove unjust to railroad property owners and so interfere with the intent of the investors, as to take away from them the right of control of their own property.

The roads which were constructed for Chicago trade would be obliged to divert their traffic and divide it up with other points not intended by the owners at all.

It is so evident that this would be a partial "seizure" of private property and an encroachment on the "immunities" of citizens of the United States, as to be "impracticable" as Judge Cooley has said and it would not be desired by the people, because it could only in the end result in raising the rate to Chicago, so as to equalize loss of revenue on the part of the railroads.

The power of a government board, or the government to equalize or adjust traffic between localities is so limited by fundamental law that it could only be arranged through a mileage determination and this would prove disadvantageous to the whole business operations of the country.

The arrangements of tariff in the United States have about eliminated distance as a basis of calculation and the question as to how many cars of freight can be obtained, if such and such a rate is made, is more important than whether it is fifty, one hundred or two hundred and fifty miles shorter haul.

Following in our footsteps Russia has attempted to demonstrate that a rule can be observed in such method. In the movement of Siberian wheat to Reval on the Baltic the government rate from Omsk, 2,400 miles, is .408 cents per ton per mile, while from a point 2,790 miles away the rate is .351 and from 3,265 miles but .30 cents per ton per mile and it costs the latter sum to transport the grain, paying no tax to the government or interest on investment. If they could build up a traffic of two thousand cars per day and a return trade of some kind, the rates they are attempting would pay, but as it is, each year the government pays money out of the public treasury to support the railway system.

Our American railroad men in constructing their volume of traffic have not confined themselves to hard and fast rules in securing business. If an industry at some point on their line could be developed through a lower rate, with a tonnage sufficient to make it an object to the railroad, especial favors were given, in the hope of bringing population and wealth to localities served by the Company.

In most of these instances the railroad has made low rates on freight moving adverse to their larger tonnage with the purpose of filling empty cars, and the rate would not be given in case the increased traffic only increased their tonnage in the same direction in which the majority was already moving.

It will be found on investigation that nearly all of the "discrimination" complained of on the part of some of our shippers is through this business proposition put up to railroad managers.

The law now prevents them from making personal or private discrimination of this character, and they are obliged to make the rate a locality rate open to all. It would be better to have a special rate allowed in such cases with the shipper agreeing to furnish a certain tonnage per month than to make the locality rate.

This is done in England and Germany and in fact nearly every country where the government controls or regulates rates. In some cases the principal business of a railroad system is a "forced" trade of this character. The Northern Pacific and Great Northern Railroads through an arrangement of tariff carry the lumber of Oregon eastward and distribute it to all of the great central west, and in return take the flour of the twin cities of Minnesota (and I have seen the time when the wheat of northern Texas has been sent to Minneapolis and ground into flour to fill the trade) right through the wheat fields of Washington and Oregon and on to the open ports of China and Japan.

I was present when the President of that system of roads assured the people of St. Paul and Minneapolis that if they would go over to the Orient and work up this trade, he would see that it did not cost over 50 cents per 100 pounds to make delivery at these ports, over one-third the way around the world.

For the purpose of creating volume of traffic across Iowa and Illinois to Chicago, the connecting roads west of the Missouri river are given a constructive mileage of 40 per cent. greater than they really have, to reimburse them, first: for the origination of the business, and second: because they necessarily have not the density of traffic which would enable them to profitably engage in carrying freight as cheaply as "trunk line" systems could do.

This constructive mileage is even allowed the western portion of systems of road belonging to the same company, because it is recognized that any other system of book-keeping would show the greater portions of the operated system as non-producers of dividends and have a depressing effect on the value of securities.

The apparent discrimination of the Milwaukee and St. Paul and the Northwestern Railways against Wisconsin, which has brought forward one of the most aggressive and reckless agitators for rate control by the government, is through this very feature of volume of traffic controlling profitable railroad operation.

The comparison is continually made by Wisconsin men with what is done in Iowa. Look at the map and you will see that these two roads partake of the transcontinental

and trans-Missouri business from Omaha, this vast traffic giving them the necessary volume which enables them to make and partake of low rates at a profit. When it is known that the transcontinental lines ending at St. Paul are either from interest or inclination not allowed to give these roads much business, it can be seen that the lines of the two roads mentioned which pass through Wisconsin are semi-local lines, and not in position to secure the necessary volume of traffic to assure low rates.

The business condition of the two sections of road, on the face of it, to a traffic man would show that on the business passing through Iowa a freight charge twenty-five per cent lower than one in Wisconsin would be profitable, while in Wisconsin it would eliminate all chance for dividends.

The rate per ton per mile is lower in Iowa than Wisconsin, and the Lake Shore and the Pennsylvania railroads make money carrying freight for one-half what is charged in Iowa, and still no man is wronged or "unreasonable" rates charged in either instance.

The Pennsylvania Railroad system keep their books so that different sections of their road give separate accounting.

In 1904 on the main stem portion of this road, the average rate per ton per mile was .559 cents, while on that portion in New Jersey the rate charged was 1.041 cents, and it is also shown that while there was a profit of 0.181 cents per ton per mile on the main stem, but 0.188 profit was made in hauling over the New Jersey division, although the charge was nearly twice as much. No man was wronged by the higher charge as the company evidently made no more money in one case than another and both rates were "reasonable."

It is evident from the result that the concentration of traffic over the main stem enabled cheap rates to pay about as much profit as the higher rate in New Jersey. The majority of our railroad managers strain every point in favor of shippers with a view of building up a business in the future for their companies.

They do, and should give favorable rates where business allows them to do so, and make a profit; but nearly every road in the United States has different problems presented, and any general rule that could be adopted would be honored more in its violation than acceptance.

There are a few railroad men still in control of affairs who do not grasp the transportation question in its broader sense, but they are on little local roads impossible of control through general government laws. I know of timber roads chartered as Railways on which no tariff at all is promulgated, and even if you wish to ride over it, you pay what they think is right, but no general law could be framed to "control" them, because they are owned by private parties, and built for their own use.

Now by the use of the rate making power our railroad systems have enabled the Lumberman from Oregon to sell lumber in St. Paul the center of the lumber interest of the northwest; they have enabled the wheat growers of the Mississippi valley to send flour to Japan, through the wheat fields of Oregon; they have enabled the oranges of California to compete with those of Florida and have driven foreign oranges from the market. The melons of Rocky Ford, Colorado, are distributed in the cities along either coast. I today, here at Catalina Island in the Pacific, buy Grand Junction, Colorado apples in preference to California apples. The Greeley, Colorado, potatoes are found in every great city clear across the continent and it must be acknowledged that all these things are the result, first: of fierce competition for business, and second: of rates made which throw this business into the stream of some great volume of traffic created by our peerless system of railroad rate manipulation and carried at a cost so low as to hardly affect the price of the commodity in the market. In fact I would advise a man to go to New York if he wishes to purchase California oranges, or California to buy Colorado fruit, because he would get good selection at those places, while at home the dealers seem to want to work off the poorest stock.

The provision recommended by the President to "make any low rate put in force by a railroad the maximum rate to be charged", would bring all of this kind of business to a standstill with a jerk.

It will enable the California fruit grower to complain to the Commission and any rate that the Commission could consider would prevent the Colorado fruit, potatoes or melons from competing here, but the Californian who makes the protest would naturally destroy his eastern market at the same time.

The lumber men of Minnesota and Michigan could stop the competition from Oregon, while the wheat grower of Oregon could prevent the Mississippi valley wheat from competing with him in the trade of the Orient, but do the people of the United States want these things?

In the chapter on German railroads the results of regulation will be shown plainly because there the government is so hampered by demands of the different provinces that railroad rates should be made so as not to allow one section to compete with another, that the railroads are practically but local feeders to canal systems, and their purposes for general transportation destroyed.

Through the system adopted in the United States a complete check is made on local extortion and everything which is eaten or used by man or beast feels the equalizing effect of competition, one locality with another.

It is this feature in our economic situation which has advanced us in business enterprise far ahead of any nation. The partial elimination of distance in our transportation problem has enabled industries to thrive and great population to survive and flourish at localities which otherwise would be barren waste.

Once this attempted protection be given one locality from the competition of another and the order go forth from the government through the Inter State Commerce Commission and enforced; instead of thirty-five exceptions being ordered as England experienced during the first year of their last law's enforcement, it would take a dray to haul the complaints to the office of the Commission.

It is needless to say that it would localize traffic and it would be a conclusion of the era of declining freight charges in the United States.

CHAPTER XII.

WHAT IS A REASONABLE RATE?

In the rate regulation legislation, the provision which is expected to be framed so as to get around the constitution is the one that the commission be given power to fix a "just reasonable and fairly remunerative rate which shall be the maximum rate to be charged."

As the volume of traffic has so much to do with the matter, this would naturally be a difficult thing.

While the Lake Shore Railroad makes great profit in charging but 0.50 cents per ton per mile I know of a western road which went into bankruptcy although their average charge was $3\frac{1}{2}$ cents per ton per mile.

The only railroad owned by the United States (The Panama Railroad) charged 7.07 cents per ton per mile in 1905 and only earned 5 per cent. on the investment at that. In England the lowest maximum rate set on traffic amounts to 0.8 cents per ton per mile on "A" class (the lowest) and on the same road a charge of 5 cents per ton per mile is allowed on fifth class goods, and this for the long distance haul; while for short distances the maximum allowed is 2 3-10 on the "A" class and 8 6-10 cents on the higher class.

If the commission were to call the figures allowed by the Board of Trade of England, or charged by the Panama Railroad "a reasonable rate" the railroad men of the United States generally would never know of its existence, but some railroad struggling against adversity would have to cease operations.

In constructing such a vast system as we have today, mistakes have been made: railroads have been constructed to localities where it is impossible to obtain the amount of traffic which would enable the road to make a "reasonable" tariff and live; it is a fight for existence, and while a compari-

son of rates charged others would impress the residents along the line that they were being robbed and discriminated against, it was only their own misfortune in getting in the same position in which the company found itself.

Other roads depending upon mining camps or timber for profit, even while carrying a volume of traffic which should apparently warrant low rates, have to figure out not only an interest on the investment, but a return of the principle to owners in a certain term of years.

The timber disappearing or the mining camp "playing out" is one of the speculations in the railroad's construction and being speculative is entitled to a higher return than other forms of investment.

The physical features of a railroad also have a governing effect on cost of transportation to such an extent that what would be a "reasonable" rate for one road would bring bankruptcy to another.

While our railroad engineers have now developed a system of equating curves and grades to a level for the purpose of determining cost of operation and earning capacity of a railroad, it is not an exact science, but some of the results already obtained are startling. It is found that cost of train service, operation and maintenance of some sections of road are seven times more expensive than others. In other words that it would be "cheaper" to have operated a road seven times longer around some obstacle than to surmount the obstacle with a 4 per cent. grade.

The figures furnished in regard to advisability of changes in grade and route of our great western roads are a revelation in many ways, and it is safe to say that from Cheyenne to San Francisco before the changes are completed one-third of the Union and Central Pacific Railroads will run over lines different from what the roads were first constructed upon.

In all of these changes the grade has been reduced because it has been clearly developed that no matter how easy the grade, every foot the load is "lifted" it takes as much power, as a direct lift would require. A reasonable rate for the New York Central road would not pay for the coal used on roads crawling up the mountains to Cripple Creek.

It will be found that nine-tenths of the complaint charging that rates are too high, come from people living in the

localities I mention and if the law would succeed in giving power to the commission to order a change satisfactory to the complainants, it would be a practical seizure of the property of the road.

It may be in the province of congress to order that the rates of freight on inter state commerce shall not be higher than some definite rate named in a law, and anything it could say in regard to discrimination (one locality against another) would necessarily have to be that the ports of one state should have no preference over another. If it would make the lawful rate the present average in the United States (i. e. 0.76 cents per ton per mile) it would ruin all of the trans-Mississippi railroads and if they adopted the English idea of "reasonable" rates, the railroad men and shippers alike would think congress was perpetrating a joke on the people, or had gone daft.

It can thus be seen that a power to declare what a reasonable rate should be, would of necessity give the executive department positive affirmative control of railroad rates.

Without this affirmative and discretionary power is granted, any law that could be passed would work injury instead of a benefit to the public, and if it is given, a prejudiced commission could ruin the railroad investments of one section of our country and let the favored sections thrive.

Any power such as is proposed would work disaster and cause loss to the business men of the United States. It might give satisfaction to the semi-socialists who want the government to "run everything," but it would stop all future investment in new railroad ventures and unsettle our business affairs for a term of years.

Nearly all of the special low rates which have been given during the past few years, have been brought about by railroad men trying to load empty cars back from some section of country where the traffic usually is all one way.

It is a clear business proposition for a railroad to make a rate far lower than its general traffic rate for such a purpose, and it certainly is no business of the government to say to the road that because it hauls the freight at $\frac{1}{2}$ cent a ton a mile for the man who gives return freight for empty equipment, that it should be considered the "reasonable" rate between the points named. While it would give A. a lower rate westward than B. would receive eastward over

the same piece of track, there would be good business reasons for doing so, and the railroad men should be allowed to tell B. frankly why the low rate was given A., and explain that feature to him.

If the Inter State Commerce Commission did not take such things into consideration it would work injury to both the railroad and the shipper alike.

It will be seen that there are so many elements connected with rate regulation that it could not be handled by the executive department without a discretionary initiative power being given, which would revolutionize our whole system of government.

I have called attention in former chapters to the fact that it was not the intention that the executive or even the congress should have such discretionary power. The congress can pass a law, and the executive department execute the same, that is all.

I will not dilate on the feature which provides that the Inter State Commerce Commission shall have the right to investigate books and papers, and determine what profit should be made, because every American citizen should know that this would be wrong and an unspeakable outrage, under our constitution.

I know that lawyers will plead that while such a right is guaranteed a private citizen, that through charter privileges given a corporation the citizens joining in the venture lose their rights because they enter into a semi-public service. That the courts have evolved one law for corporations and another for private citizens, and assume that because of the right of eminent domain given railroads they lose about all rights they should have as owners of property. Now I am not a lawyer and have had very little to do with the courts, but if such is the case the quicker parties owning the railroads get their property into private hands it would be for the better.

I have been foolish enough to give a share apiece to men to enable them to become directors in companies I have organized, but I never thought that by putting my property into a corporation, so that sales of stock could be made, that I was losing some of the most sacred rights guaranteed me by the founders of our government. Our railroads are owned by private citizens banded together into companies and

should be protected in fundamental rights, and if they do not receive that protection it is a slip in the cog wheel of justice.

The right of eminent domain granted railroads is so peculiarly guarded by our constitution that it only means that a road can get what they need by paying for it.

The right of eminent domain granted railroads is one enjoyed by its patrons through ability to reduce distance and is used but seldom, as the property is bought usually at private sale rather than call on the courts for decisions.

A corporation should be protected in its private business affairs the same as the private citizen, and their houses, papers and effects should be held as inviolate as other property owners.

It can be seen that no general law could define what a just and reasonable rate should be, because nearly every railroad in the country has different conditions; and if such a power should be delegated to a commission it would necessarily allow this branch of government to make a thousand laws and set in judgment on the same, without a jury to determine facts.

The provision obliging thirty days notice to be given before a tariff could be changed is not even good business sense, and the Inter State Commerce Commission will be about the first to ask for its suspension.

Such a provision is undoubtedly within the power of congress and it is about the only one of the nine points I call to the attention of the reader which comes under that head, but it is fully as bad as the long and short haul provision, or the anti-rebate legislation already on the statute books.

Emergencies arise when the public could demand a change "at once" to relieve distress or save property.

In the fall of the year market conditions frequently require a change of direction of shipments for whole crops, which do not develop until the shipment commences. I have acted as arbitrator between the railroads and the people of the "Western Slope" in Colorado in just such an emergency. The potato market had become glutted in one direction and it was referred to me to recommend what should be done, I made the recommendation and it was acted on "at once," and if thirty days had intervened, thousands of dollars would have been lost, not by the railroads, but the farmers.

Galveston would have had to wait thirty days to get

cheap relief in her distress, and there are hundreds of instances where the power to act quickly has saved our people millions of dollars through the transportation companies stepping into the breach at the proper time.

The part of the law which would delegate power to the commission to determine whether cars had been furnished properly and impose fines in case their idea of distribution of rolling stock was not obeyed, is but in line with those other powers which practically would allow them to control railroad transportation without even claiming to represent the owners of the property.

While the advocates of this legislation say it amounts to nothing, and the President says it is only a form of innovation, if the nine features which I have criticised do not put our railroad investments under such a form of supervision, as to destroy all chance of independent action by the owners of the property, I certainly fail to understand the situation. The silly pass provision in the law is a violation of the rights of property owners and if a test were made it would be declared unconstitutional.

It would be well within the province of congress to prohibit government employees or officers from accepting such favor or railroads from giving them.

States could do the same in regard to state or county officials; but to attempt to prevent a railroad company from complimenting friends, or reciprocating courtesies with newspaper men and others, is as ridiculous as it would be if they were to attempt to make it a misdemeanor for a man to present a friend with a cigar or dinner, or a farmer to haul his neighbor to town in his wagon without demanding pay.

This section of the law is intended to please the agitator but as it singles out railroad interests in its attempt to create a criminal offense out of a complimentary courtesy or personal gift, it is class legislation of the rankest kind.

If congress would pass a law making it a criminal offense for a packing house, mercantile company or coal corporation to give away a present, the people would say that our lawmakers had gone crazy but such action would be no more unreasonable than this provision.

It is an unwarrantable interference on the part of government with private owned property.

CHAPTER XIII.

LONG AND SHORT HAUL AND SPECIAL RATES.

The power granted the Congress to "regulate commerce among the several states" has been used rightfully in several instances, although it is a question as to whether these regulations benefit the public.

When congress made it unlawful for a road to charge more for a short haul than a long one, and when it made it unlawful for railroads to make a difference in charges between shippers, by any "special rates, rebate, drawback or other device" or the granting of any undue preference to any individual or species of traffic, and when it prohibited the formation of "pools" or agreements of railroads in the restraint of trade between states it was well within its rights.

In the last legislation the provision that no change in rates shall be made without thirty days notice comes rightfully under the "regulation of commerce."

In the previous chapter I call attention to the fact that this latter provision is not for the benefit of the people, and two of the three other "regulative" provisions have done more injury than good to the public.

That a rate should not be higher on a short haul than a long one looks like a good thing, as an abstract proposition, but ever since this law has been on the statute books the Inter State Commerce Commission has been granting exceptions to the law.

It was long ago recognized that strict observance of this law was "impracticable" without great injury to business interests.

The competition offered the railroads by water transportation and Canadian railroads, obliged them to make competitive tariffs to points affected, and if the prices charged this competitive business was to be made the limit of charge

allowed, it would have completely stopped all competition on the part of trans-continental roads and many others, with water transportation.

The Commission after recognizing this necessity has drifted along so as to consider the "constructive" railroad centers in the same light, which is right.

In its last report the Commission recited the Chattanooga and Nashville controversy over rates from New York, and it put itself on record as saying that it could not see that it was wrong to charge more to Chattanooga than to Nashville on business, part of which passed through Chattanooga on its way to Nashville, on account of the necessity to meet competition there, and as it could not decide the rate to Chattanooga to be an "unreasonable" one, it let the practice stand.

One-quarter of the hearings before the commission have been over features of this law, and there are few great systems of railroad but which have been granted exceptions from a strict following of the text.

Some of the things done by the railroads and countenanced by the Commission are positively ridiculous. The transcontinental roads are allowed to make rates to San Francisco and Los Angeles in competition with the Ocean-Panama route, so that the rate from New York to San Francisco would be say \$1.50 per 100 lbs. on machinery.

If a party at Reno, Nevada, would wish to buy a car of machinery, unless he accepts the rate that would accumulate by shipping to Chicago, thence to Salt Lake and from there to Reno, and which would possibly amount to \$2.50 per 100 lbs., he ships to San Francisco, and it is returned to Reno on a rate of say 40 cents per 100 lbs.

This would be a saving to him in freight as it would only amount to .1.90 per hundred, but owing to this foolish long and short haul provision and the rulings of the Inter State Commerce Commission, the railroad could not let him take off his machinery at Reno on its way west, but the company actually hauls it to the coast and back to Reno, and the shipper waits a week for this "doubling" process.

He would have gladly paid the \$1.90 and would have considered it a "reasonable" rate, but the delay is forced upon him by law.

This feature is one of the most maddening things that

occur in the "plateau" country of this continent, and I have heard railroad men damned more roundly over this apparent nonsense than anything else, but it is the direct result of the first "reform" law demanded by the "people" i. e. the Farmers' Alliance in the Eighties. If the law was off the books the railroad men in their efforts to please their customers would long ago have corrected this foolish move, and would be glad to relieve themselves from the haul, over the Sierra Nevada mountains and back.

In a parallel case to this on traffic passing from the Pacific to Omaha one of the constructive railroad centers of distribution, the same principle was observed in the "Kearney sugar rate." It appears the rate to Omaha from San Francisco was 50 cents per 100 and the railroad charged 77 cents per 100 lbs. San Francisco to Kearney, Nebraska, 196 miles west of Omaha, the 27 cents additional being the rate back to Kearney from Omaha. The Commission assumed that the rate should be 65 cents to Kearney instead of 77, but the court found that the low rate to Omaha was justified by competition, and that the rate to Kearney had not been found unreasonable in itself, and did not allow the change, and these things have to continually be excepted under the long and short haul provisions of the present law.

These instances are only given to show the impracticability of any kind of government rate regulation which could be devised and that even the law regarding the long and short haul has been and necessarily is violated every day, and the necessity recognized not only by the Inter State Commerce Commission, but the courts themselves.

In the law against special rates it will be found that unless changes are made either by court interpretation or change in the law itself, an unintentional injury to great business ventures will be done.

While it is well to have an open rate for all there should be exceptions made in the tariffs themselves, or all past ideas in regard to business would be overthrown.

The principle of doing a wholesale business is established in trade all over the world, and if it could be construed that a manufacturer who ships one car of freight per day, should receive as low a rate as the shipper of fifty cars, it

would take from the railroads the power to sell transportation by wholesale and allow all other business to recognize and practice this business prerogative.

It may be that the law making a secret rebate a felony is right, although the secret rebate has been used more to cloak the operations of one competitive road against another, than to advance one shipper or injure another, and when the rebate has been given, in every instance a demand for tonnage sufficient to make up in volume of traffic for the lower rate charged, was undoubtedly made. In the chapter explaining the importance of a volume of traffic and the necessity of making some special low rates to load return equipment, it can be seen that "special" rates are necessary to bring profit to many transportation companies. This principle is recognized fully on the German railroads, and is countenanced in every country where the government controls or operates railroads; it is a business necessity.

The question as to whether such wholesale contracts for transportation should be published is another matter, but that special rates are a necessity in successfully handling transportation cheaply, there can be no question.

The most valuable regulation which has been passed by Congress in its attempts to regulate inter state commerce to my mind, is the one preventing combinations in restraint of trade.

For years before the law was passed I had been an advocate for some anti-pooling law, and had discussions with many prominent railroad men over this feature. I will acknowledge that nearly every prominent and successful railroad man disagreed with me and that I felt great satisfaction when the Supreme Court decided that pools were illegal. As a student in economics I had always felt that about the only regulation necessary (outside of those protecting the public safety in travel) was this provision, and that competition would do the rest. I always felt that the public would get better service from competitive endeavor than they could receive through laws of any kind.

It is not necessary to extend the argument for and against the law against pooling, because I believe it a good law and in the interest of the people and if it is made to control all

combinations in any kind of business, it will answer a good purpose. However, I see that parties high in the Government counsels advocate a law allowing pools of some sort to save flighty railroad men from themselves in the matter of making low competitive rates.

After this wave of "reform" which appears to want the government to control and regulate everything has passed, it will be found that Senator Sherman, who of all men would hate to be classed as a "reformer" had placed on the statute books the only truly statesmanlike provision governing business combinations, and the only law under which the Commission has had favorable rulings by the Supreme court.

The Inter State Commerce law and the acts of the Commission have only complicated business matters, and this present legislation will only increase that complication.

The framers of the original law were tricksters in politics trying to secure favor with what was thought at the time to be a political factor, and the present legislation is the direct result of the wave of semi-socialism passing over the country.

The whole idea of a commission is wrong and it only tends to build up the power of our executive department and interfere in business affairs to no good end.

It was an un-American move in the first place and it is an error to enlarge or increase its power.

CHAPTER XIV.

WATERED STOCK.

In nearly every argument advanced by the so called "reformers" in regard to rate regulation the charge is made that so much of the apparent value of railroads is derived from "watered" stock, that an unfair rate has to be charged to pay dividends on inflated value.

The Inter State Commerce Commission evidently wish to confirm this impression.

In their compilation of statistics they continue to duplicate all of that value represented through the issuance of new securities based on the stock and bond purchases of other roads, and make up their estimate of capitalization from these inflated figures. Using this form of duplication the Commission figures that on June 30, 1903, there were 207,977 22-100 miles of railroad in the United States, capitalized for \$12,599,990,258 or "\$63,186 per mile." If you take the trouble to divide these amounts quite a material error will be detected but as they report that the roads own \$2,318,391.953 of stocks and bonds and have issued other securities based on these holdings, it can be seen that but \$10,281,598.305 had been issued on railroad mileage, and if that amount is divided by 207,977 it equals \$49,436 instead of the sum stated by them.

The President in his message says that the Commission should supervise and regulate and prevent "abuses in no way connected with restriction of competition."

"Of these abuses, perhaps the chief, although by no means the only one, is over-capitalization—generally itself the result of dishonest promotion—because of the myriad evils it brings in its train; for such over capitalization often means an inflation that invites business panic; it always conceals the true relation of the profit earned to the capital

actually invested, and it creates a burden of interest payments which is a fertile cause of improper reduction in or limitation of wages; it damages the small investor, discourages thrift, and encourages gambling and speculation; while perhaps worst of all is the trickiness and dishonesty which it implies—for harm to morals is worse than any possible harm to material interests, and a debauchery of politics and business by great dishonest corporations is far worse than any actual material evil they do the public. Until the national government obtains in some manner which the wisdom of the congress may suggest, proper control over the big corporations engaged in inter state commerce,—that is, over the great majority of the big corporations—it will be impossible to deal adequately with these evils.”

If any board or government commission is to have the power to “initiate” rates, this is an important point to be considered, and it only shows how far this supervisory power to make just and reasonable rates on railroads carries the government.

It of necessity will have to go clear into the most sacred privacy of this class of business to be able to act fairly or even intelligently.

In this matter the statistician of the Inter State Commerce Commission through assisting in the compilation of bulletin No. 21 of the Census department, pretending to give the commercial value of railroads in the United States, has rather upset any claim on the part of the government as to excessive over capitalization, because his estimates would go to prove that the roads were worth \$52,600 per mile, although they are capitalized at less than \$50,000.

The fact is, there is but little “over-capitalization” in the railroads of the United States today. The publicity given to railroad management and operation through business publications such as Poor’s Manual and others, completely check the successful issuance of a capital stock much beyond real values. While some active promoters during the last few years made an attempt to work such a deal on one of our great western systems, it took but a short time for the securities to find a market price that effectively squeezed all the water out of them, through a discount in value.

The hard times among railroads succeeding the panic

of 1893, brought about a series of re-organizations which practically placed most all of our railroad securities on a true property basis. The re-organizations brought about through the efforts of Morgan and others in the past few years are about the only instances of inflation that the country now suffers from, because in some of these transactions a "capitalization of earnings" was attempted without keeping in view the fact that capitalization should represent property.

Some of the attempts to "capitalize earnings" already have failed, and others will surely fail, because it is not a correct business principle and all of these things regulate themselves, in a country where competition is open, and a free hand given to personal endeavor.

A government commission could by an investigation find out how much it cost to build a certain line of road, but should that be assumed as the proper amount on which reasonable rates should be based to make a profit?

Certainly not! The Michigan Southern Railroad along with the Rock Island, when Chicago was a rambling city of uncertain future, bought ground clear down to and beyond where the Grand Pacific Hotel is built, and today, own an interest in about 120 squares, extending from the suburbs clear to the city's heart; can it be supposed that the owners of that vast property in Chicago should only get interest on what it cost?

The Lake Shore Railroad during the first years of Commodore Vanderbilt's ownership purchased hundreds of acres of land in Buffalo, Erie, Cleveland and Toledo prior to the consolidation with the Michigan Southern, and this land is worth one hundred times what it cost; would it be right to oblige the stock holders to only accept a rate of interest on its cost and not its value?

As an expert on values I should say that the land owned by the Lake Shore and Michigan Southern Railroad is worth its bonded debt \$50,000,000 if the tracks were destroyed and the equipment run into the lake.

That form of increase in capitalization is not "water" and only a semi-socialist would consider it wrong to place the property owned, in such a shape that the owners could receive a fair interest without an appearance of usury. The real value was there and it was proper to capitalize it.

Because Commodore Vanderbilt had faith in New York City and refused to sell the 42nd Street stock yards when they were condemned as a nuisance by the growth of the city in that direction, and by an additional expenditure of \$9,000,000, years ago constructed a great depot with its approaches near the present center of New York, should the stockholders of his company only receive interest on the cost, while the Pennsylvania Company expends \$100,000,000, for poorer accommodations?

These are features which would oblige a government Commission to investigate all the books, papers and history of each railroad, and become thoroughly familiar with values in nearly every locality in the United States, in addition to the traffic operations presented by reports; before they could assume to rule that a rate should be made to pay anything less than five or six per cent on the capital stock of a Company.

The contention on the part of our semi-socialist friends that the interest should only be paid on capital invested, would lead to forms of injustice so palpable as to a certain extent confiscate vast holdings of property.

It would be a peculiarly hard legal proposition for the courts or the Commission to decide. The government railways of Canada and New Zealand where land is cheaper than in the United States, have cost \$44,600 in Canada, and over \$45,000 per mile in New Zealand.

Now if this average was taken as the cost of railway construction in the United States, the proposition would be; what rate of interest is a fair one on a railroad costing \$45,000, capitalized at \$49,436.00 (I have shown from the Inter State Commerce Commission's figures that this is a fact) and worth \$52,600.00 per mile, the figures given by the census department?

This is the business proposition which has caused our rapid advancement in railway construction, a speculative opportunity has been offered capital over and above a set rate of interest.

In nearly every state tax reformers are assuming that this increase in value over cost of construction represents an intangible value subject to taxation; and the ridiculous

part of this feature is that every one of the tax reformers, are also rate reformers, who claim that no interest should be collected by the railroads on this value which they wish to tax.

This value is considered by taxing authorities in many states of the Union, and the Inter State Commerce Commission would be obliged to allow rates high enough to collect a fair and reasonable rate of interest on any value of such a character, or the courts would interfere in the cause of justice. The figures given by the Census department is such a theoretical hodge-podge as to amount to nothing, except to show that if certain things were "thus and so" then the railroads would be worth \$52.600 per mile. They have developed a value through "algebraic formulas checked by logarithmic application" which would cause the ordinary railroad civil engineer to have a nightmare, but their figures only complicate the rate making power of any government board, if values are to be considered.

If the difference in original cost of New York terminals were to be used as a factor in determining what a fair rate would be, as between the New York Central and the Pennsylvania Railroad, the New York Central could drive the Pennsylvania Railroad out of competitive business in New York.

A rule would have to be made in every case presented the Commission. All of the improvements made by our railroads, costing in the past ten years half as much as original construction, would in justice only be used in arguments for increase in rates, rather than cheapening them through better facilities offered and lower grades.

The President evidently listened to the talk of the demagogues who have made the attack of railroads a hobby, and was misled into thinking that the railroads were over-capitalized.

The men who told him this are political charlatans, usually country lawyers claiming to understand the railroad situation, but who in fact are mere politicians seeking popularity with the people who appear to have taken up part of the socialist doctrines for the present.

Not one of the men who have taken an advanced stand

on this question ever attempted a day's business or any railroad work. By looking at their records it will be found that all of the leaders in this agitation at Washington are school masters or lawyers who have shown no prominence or particular ability in business or railroad affairs.

There is not a railroad system in the United States but what would be glad to have 5 per cent. guaranteed to them through some manipulation of rates which would be sure and legal.

If the provision is carried allowing a rate made by the the Commission to stand for three years, a crop failure or a panic would tear down our whole financial system and cause thousands of millions loss to innocent investors, and end in higher charges to every buyer of transportation.

No business in the world could stand inflexibility such as this without disaster.

Senator Tillman in his presentation of this feature to the Senate, read a letter from Professor Marks stating that "more than half" the railroad securities represented no real properties "or actual investments in cash" and states that the railroads of the United States could be constructed for \$5,600,000,000. They possibly could "be constructed for this sum, but the land and depot buildings now owned by the railroads of this country are worth as much as the sum named by the unknown Professor and his estimate becomes as worthless as the estimate obtained by "algebraic formula checked by logarithmic application."

When it is known that the engines and cars alone represent an investment of about \$1,750,000,000 the figures of the Professor appear ridiculous.

The *reconstruction* of our railroad system which has been going on for the past ten years has caused an outlay of one half the sum he names.

I attach a statement giving railroad capitalization in various countries. It explains itself:

United Kingdom.	\$280,000 per mile
Belgium.	167,898
France.	142,256

Holland.....	\$137,103 per mile
Austria.....	111,032
Switzerland.....	106,759
Germany.....	105,400
Russia in Europe.....	83,511
Hungary.....	64,860
Denmark.....	43,381
Norway.....	39,439
Sweden (State roads).....	44,048
Canada.....	61,198
New Zealand.....	45,400
Australia (Standard).....	63,200
Australia (Narrow Gauge).....	37,000
Japan.....	42,000
United States.....	49,436

CHAPTER XV.

STATE RAILROAD REGULATION.

As railroad corporations receive their charter from, and their corporate existence is the result of state laws, it is reasonable that most regulative laws should come through state legislation; but these laws should not assume to dictate the price of service. Police and sanitary regulations properly come under the control of the power which creates the corporation. The laws governing crossings, directing that flagmen be employed and all of the laws providing for the public safety are properly the province of government. The sanitary laws even down to the foolish provision that a spittoon should be placed under every other seat in passenger cars, are well within the province of state law makers, and there are cranks enough in our state legislatures to think of every possible thing, which in their minds protects the public or annoys the corporations.

On the issuance of a charter the corporation is required to specify the objects of the company, and the state grants permission to operate in accordance with the provisions of the charter granted.

Most states provide that if the company fails to commence operations in a certain length of time, that the charter expires or terminates, and many states oblige the operation of a certain number of trains per day to keep the charter alive.

Several states have by constitutional provisions given notice that the state will assume to name a maximum rate if necessary, and to enforce laws against extortionate or unfair tariffs.

In the states where this notice has been given the charters of the Companies plainly mention either that the state reserves the right to name maximum, or absolute rates,

and there can be no controversy over regulative laws in those states, because the corporation, tacitly accepts a contract admitting this right. In England the charters provide for this power and it is part of the agreement between the government and the corporation, that the Board of Trade shall assume to name maximum rates not only at the start but at any other time.

The charters of the railways of Germany, France and Switzerland provide for a governmental control and ultimate purchase, so that the taking over by the government of those roads violates no contract nor takes any man's property by undue process.

In the United States, Massachusetts is the only state providing for state purchase of chartered railroad companies, but the power has never been used.

Several states have owned and operated railroads but in every instance they have ultimately sold out to private corporations, as it is repugnant to our American ideas of freedom, that the state would oblige one portion of its citizens, not benefited by a railroad's construction to assist others in such a business venture, through payment of tax; and nearly all of the state ventures were a burden on the tax payers.

It was soon recognized that in case the state would assume to construct railroads that the protests and jealousies of one section, would stop development of another, and that the feeling engendered through business competition would soon tend to destroy the integrity of a true commonwealth, and by fierce internal strife jeopardize the progress of the state.

Most of the men who talk about government ownership and purchase of railroads, and who quote Germany and Switzerland as examples, do not appear to know that it was part of the contract when the roads were chartered. The provision in France also is part of the contract, and in fact the government always has owned the right of way.

Without such a provision in a charter, even under a monarchy or empire a government would hesitate before attempting to acquire private owned property, except at a price perfectly satisfactory to the owners. Such an outrage on property rights could be perpetrated in Russia or in Switz-

erland, but not under a constitutional monarchy. Such a power can only be claimed by an absolute ruler or a social tyranny.

In regard to the power of states to regulate rates there is such a close connection between seizure of property and naming a price for service, that one merges into the other.

Prior to 1870 no state in the Union provided in the charters given to railroad corporations that the state would assume to name a maximum or any other rate. Common law gives ample remedy for extortion or discrimination, and the state authorities could bring action to correct the same.

The agitation which brought the Farmers' Alliance into prominence induced Florida to provide that a maximum rate be named by the legislature over railroads chartered by the state.

The following states have included in railroad corporation charters the provision that the legislature could reserve to itself the right to name a maximum rate, prevent abuses, discriminations, etc. by constitutional notice, viz., Alabama, Georgia, Illinois, Michigan, Mississippi, Montana, Nebraska, Texas, Utah, Washington and West Virginia.

In addition to these states the following have passed laws covering the same ground, viz. Maine, Massachusetts, New Hampshire and New York.

According to the report of the Interstate Commerce Commission no other states provide in their incorporation laws for this right, and without such notice in the charter there should be no doubt in any fair man's mind, that every one of the laws passed in the other states than those mentioned are unconstitutional, as they assume to take away from the owners of property the most valuable portion of his ownership, i. e. the power to name a price for its use by others.

It is evident that all the Companies who received their charters prior to 1875 in the sixteen states named, or in any other state at any time, are not in a position to admit that the state has such a right. Any such vital point in the contract if omitted from a charter should not be corrected by a state changing the terms of the agreement with the corporations after the companies have expended ten thousand million dollars in railroad construction.

One of the inducements for this expenditure, was the omission from the charter of a provision which would pass the control of the property to others than the rightful owners.

At the time when two-thirds of our railroads were being built the going rate of interest ruled from 7 per cent to 10 per cent and millions of dollars used in railroad construction, would have sought other channels, if states had assumed to dictate rates, or assume that a rate of 4 per cent or even 10 per cent was the limit to earning capacity for the capital invested.

Having omitted this provision in the charter granted and having done so with the evident intent of inducing capital to invest, it is such a plain attempt at blackmail, now to attempt to exert this power, that the advocates for state regulation of rates should feel as though they were in bad company.

The sixteen states where since 1875, constitutional provisions or statutes provide for such powers over rates in the charters granted, evidently have attempted to follow the English idea of control and in most of them "Commissions" or "Boards" or "Agencies" are delegated the power to enforce the provisions.

It always has been remarkable to me that the railroads have not succeeded in evading all of this form of interference, as the framers of the laws in every instance appear to have forgotten, that we were living in a free country, under a written constitution, which completely separates the functions of the Legislative, Executive and Judicial Departments, and in every instance, the Legislature has attempted to delegate to these executive boards, commissions or agencies, part of their Legislative functions.

Instead of making the maximum rate themselves, they have attempted to delegate the authority to some one else, and this is clearly beyond their power. In England the Executive department is higher than the Legislative or Judicial and an Executive Board can act, using "discretionary" power, while in this country it is against the principles of our government that an executive should go further than to execute the law. The safety of our Republican form of government depends on this fact, and our forefathers felt that one of the greatest dangers which we would meet was when some executive would assume to use discretionary power in government.

If the people want a "responsible" government, a monarchy or an empire, these powers can be properly assumed by Boards, Commissions or Agencies of the Executive Department, but certainly not under our present form of government.

The legislature of Ohio when it passed the law making two cents the legal fare over railroads in the state, went about this thing in the right way, if there is any right way to such a thing; but when it is known that not a charter granted to any railroad in Ohio specifies that the state has any such right, it would appear that the law was but an attempt at blackmail and will be obeyed by the railroads if they can make it pay, otherwise not. If the Legislature had passed a law in conjunction with the two cent law, making it obligatory on the people to travel enough to give the passenger volume of traffic necessary to make such a rate pay, it would be a fair law, but nevertheless a tyranny.

In a controversy of this kind the great mass of our citizens do not want to injure a great interest, and in this attempt to enforce a two cent rate in many states, the people generally are misinformed regarding the facts.

Forty-five per cent of the operating expenses of the railroads of the United States is used in operating passenger trains, while but 27 per cent of the gross earnings is derived from that class of service.

The average cost of operating a train in the United States is \$1.31 per mile when each train's porportion of repair, station and track service is considered, and the average number of passengers per train in the United States is but 46. It can be seen that a two cent fare on all of the roads in the United States would create a serious loss in operation. Owing to the high speed required, and the better equipment used, this average cost of moving a train a mile has increased from 93 cents in 1897 to \$1.31 375-1000 in 1904 while the tendency of fares have been toward a lower plane.

The passenger fare if figured at two cents per mile would amount to 92 cents and there is an additional 20 cents per mile received from mail and express service but with these two items added it can be seen that a loss of nearly 20 cents per mile would be the result of a general two cent fare.

The people should not be misled by the action of Monarchies or socialistic governments, who throw a "sop" to the people in naming low passenger rates accompanied with

poor service; but who charge from two to three times as much for freight as is charged in the United States, because eight tons of freight are moved for each passenger carried in this country.

On some of our New England Roads where an average of 62 passengers per train are carried and where the cheap local train service reduces the cost per train, to as low as 88 cents per mile, a two cent rate is a fair one, and Massachusetts with her 370, Rhode Island with 431 and New Jersey with 268 inhabitants per square mile, can furnish the passengers necessary to make such a rate pay. It would be ruin to the passenger service of the roads of Kansas with but 18, Colorado with 5, or Wyoming with but one resident per square mile for legislatures to attempt such action.

There are but six states with enough density of population to warrant a profit in a two cent fare. While Ohio is not to be classed as one of these states it is so near the line that its enforcement would be an experiment.

Indiana, Iowa and many other states agitating this question would practically force a loss on the railroads not intended by the framers of the constitution.

The income tax, the single tax, the regulation of railroads, trusts, insurance companies, etc., are all benefits according to many minds, but not practical in the United States without a change in our form of government.

The different states after issuing charters under which thousands of millions of dollars have been invested, with no notice therein that they intend to assume control of the earning capacity of the property created, certainly fail to give the private owners the protection guaranteed citizens of a monarchy, when they pass laws intending to reduce the earning capacity of money to a rate decided fair by them, but not satisfactory to the owners of the property itself.

It might be reasonably fair for them to pass laws saying that *hereafter* railroads must accept such control, but every sane man knows that this would mean a complete cessation of railroad building in the state passing such a law. The assumption that the constitutional provision giving congress the power to regulate commerce between states is only taking advantage of words and not following the intent of the framers of that instrument.

The commerce between states at the time the consti-

tution was framed was all in private owned boats or wagons, and the writers of that sentence had no idea that a rate of fare, or price charged for carrying freight would be named by congress. It would violate the most sacred principle in our constitution which was framed with the primary view of protecting citizens in their ownership of property and to prevent government interference with private incentive.

This constitutional provision certainly should restrain all of the states not having specific contracts with railroad companies when charters were issued, from rate legislation, and it is rather late for them to attempt to change the provisions of a contract after vast sums of money had been expended by the receivers of the charters.

But it is evident that each state upon assembling its legislature is going to attempt to regulate railroads and interfere with the earning capacity of the companies. Illinois through her railroad commission ordered a 20 per cent reduction on all state freight traffic. Illinois is one of the states which reserved to the legislature the right to name a maximum rate in the later charters granted, and over the roads organized since that notice, the legislature could possibly name a rate, but I do not see how it could delegate that authority to a commission. It is needless to say that such a sweeping reduction if enforced would seriously interfere with the earning capacity of the corporations and would be a partial seizure of private property. The Kansas legislature ordered reductions in Kansas although not a railroad charter in the state provided for such action. When such a law is passed up to the Supreme court it can hardly decide otherwise than that it is an unconstitutional infringement on acquired rights.

The most valuable privilege in a charter when granted, is the one allowing a charge for service, and this charge for the use of property is the primary value of a railroad company's securities, and the higher courts are obliged to recognize the reflex of earning capacity on values, as being connected with property ownership.

An attempted destruction of earning capacity thus becomes a seizure of property which could not be enforced without payment of damages by the state.

The agitators and socialists will naturally find fault with such a decision but it is a fundamental law in the United States.

RESULT OF GOVERNMENT CONTROL.

In the ten succeeding chapters the result of government control of transportation is given in all countries with any mentionable amount of traffic except South America and Mexico.

The fact that competition is prevented as soon as government assumes to regulate rates, should be apparent to all. In all foreign countries the government regulation makes cheap freight service impossible.

The rate law in the United States if lived up to strictly, will gradually eliminate competition and if the railroad managers join with the Commission in an attempt to equalize rates as between localities, the rates will of necessity be higher than if private competitive influences controlled.

The true business of an American railroad is the transportation of our products from the mines, farms, forests and streams, and the low price per unit charged has placed just so much more profit in the hands of the producers of wealth.

It is the direct reason for our general prosperity.

The succeeding chapters show that the interference of government in rate making, ends in higher charges for service, and a dissatisfaction among the producing communities.

In fact the government interference in rate making, is the direct cause of the great immigration from Central Europe, and it is a mistake for us to follow.

I do not dilate on passenger rates, because the advance charged in this country is necessary, by reason of better service and higher wages, and also from the fact that the population of but five states in the Union would warrant low passenger fares.

The railroads would gladly make a one cent a mile passenger fare, if a general advance in freight tariff was allowed of but one quarter of a cent a ton a mile. Such a change

would assist the rich man who travels, but would take twice as much money from the farmer, miner or lumberman who produces.

By going over the results, it cannot fail to impress upon the mind of any student of political economy, the fact that it is a mistake for any government to enter into the railroad business, and that competition is a better safeguard for the people's interest, than any form of government control.

CHAPTER XVI.

CANADIAN ROADS.

Uninformed people frequently refer to Canada as an example showing the success attending Government control and regulation of railroads.

The agitation of this question by our Inter State Commerce Commission was with a view of getting power into its hands more or less of the same character as is given the Department of railways and canals in the Dominion of Canada.

About the time that Congress convened in December 1905, a long article was published in the Railway World from the pen of Professor McLean, a former railway Commissioner for the Dominion, with the evident intent of advancing the Commission's view. He gave the bright side of the Railway control argument, but failed to show the impracticable part or the peculiar conditions existing.

The Dominion of Canada has a more complete control over the Railways of the commonwealth than any other semi-representative government in the world, except a purely socialistic community. The railroads are as subservient to the Executive Department of the Government as though owned by the government itself.

A railroad commission is created as an adjunct to the Executive Department with the most extraordinary powers.

The Commission is constituted the sole judge of facts and its decision is not amenable to the courts.

The construction, direction of route, improvements and operation, regulation of speed, etc., are given over to the dictation of this Commission.

It can make and unmake tariffs and compel substitution of its rates in place of rates made by the railway officials.

The only appeal is to the Cabinet (not the courts) so

that the Executive Department is really a dictator in railroad matters.

It is about what the Inter State Commerce Commission would like to have for the United States, and would be very near the condition desired by true socialism or absolute monarchy.

The Commission in Canada can abrogate the long and short haul provisions at pleasure; it can allow competitive rates to be made without notice, and for the purposes of this argument I am willing to admit that the Dominion of Canada has a Commission that can do anything it wants to with railroad management, except allow a "pool" under their law. Further: that everything it orders has to be obeyed unless the Cabinet says otherwise.

The Professor only tells part of the story, when saying that the power of the Cabinet "is the natural outcome of responsible government existing in Canada" from the fact that there are more potent reasons than mere form of government, which make Canada's position on railroad control fairly reasonable.

Poor's Manual for 1905 shows that in the Dominion of Canada there were 19,610 87-100 miles of railroad, and that all except 1,680 67-100 miles had received Government or Provincial assistance, either with land or cash subsidies.

It can thus be seen that 91 per cent. of the railroads have been assisted in their construction by Government aid.

The railroads of the Dominion had cost up to 1904 less than twelve hundred million of dollars.

There was practically 492 million dollars of stock outstanding, and the Government or Provinces had advanced \$366,698,739 in cash.

Then in addition there had been issued 460 million of Bonds, and to back a good portion of this issue, Land grants amounting to about 50,000,000 acres had been given.

If the Government had furnished one-third of the capital and credit used in the construction of the roads, and was the largest single party in interest, with no representation on the Board of Directors to look after that interest, it might be a proper thing to give an executive department considerable say in the management.

The United States has assisted in the construction of

several lines of railroad, and as long as the railroad owed the Government money, there was a full representation on the Board of Directors of the companies assisted. Government directors took active interest in the control of the property and had just as much to do with its management as any other largely interested stockholder. As long as the railroad owed the Government these directors were retained, but when the Government had been reimbursed, the parties taking up that interest assumed the places on the Board of Directors.

At the present time the only railroad owned, or partly owned by our Government is the Panama railroad venture, undertaken by the Executive Department of this Administration, and the department is running this venture in such a way that it will be an expense to our tax payers.

It is laughable to hear a man quote Canadian control of railways as an example for this country to follow. We object to paying more for a short haul than a long one, and Canada allows it. We object to private rates for especial shipments, and Canada allows them. We want competition between our railroads, and Canada through its Commission's control prevents it, and will not even allow branches to be built by one road into another's territory for purposes of competition.

Were it not for the competition of American lines driving them to it, it would take a week to get across the continent by Canadian railroads, and the reasonable tariff of the Canadian Pacific is only the direct result of competition with American roads.

Everything (even the much despised rebate) is going on with the Canadian railroads that our reformers want stopped by an Executive Commission in the United States.

The fact is the Canadian Commission only looks after the Government's interest as principal owner in the railroads, instead of having a commensurate representation on the Boards of Directors.

In 1903 the great Grand Trunk system did not have a Director on its Board outside of England, and the Canadian Government had advanced over \$15,000,000 to the main system of that railroad, and \$10,000,000 more to the tributary lines, and without an extraordinary power being given to a commission, these vast holdings would have no representa-

tion in the control of the road whatever, although it represented a great portion of the cost of construction.

When the Canadian railroad investments are examined, the full beauties (?) of government owned and controlled railroads are shown. It is positively laughable to see what funny things have been done to the Canadian Government through railroad graft.

The Dominion of Canada own outright 1,520 miles of railroad for which they have paid \$72,735,938.

In 1902, one of the most favorable years for their operation, this investment only earned over operating expenses \$57,890.89, while in 1904 a positive loss from operation was made of \$1,002,055.00. These roads have not paid a dollar's interest on the investment, or a cent of tax to the Province or Government. The Government furnishes transportation to a community at less than cost and collects from other localities enough to make up the deficiency.

If baggage is lost or your leg is broken, it is your misfortune; you cannot sue the Government.

These government roads furnish a good many fair jobs to friends of the administration; but in case of dissatisfaction, to strike would create a breach of contract with the Government, and to prevent others from working would be rebellion. There are 2,100 miles of railroad in addition to the foregoing purely owned government roads, in which the Dominion and Provinces have advanced more money than the capital stock of the companies represent. In one case a \$5,000 capital succeeded in getting \$833,770 out of the Government, and in several instances the cost of construction does not equal the Government advances.

A close inspection of the way the public money of the Dominion has been used for personal ends, would make the ordinary American grafter look like "thirty cents."

None of the foregoing matters were discussed by the learned Professor, because it would tend to show that the Canadian Commission had possibly been composed of about the same class of business men as are placed on our Inter State Commerce Commission.

Fine old men with honest intentions, but a complete lack of understanding of business affairs.

His reference to the natural result of form of govern-

ment" was pertinent, and after investigation only proves what I have been endeavoring to show regarding the great change demanded in the laws proposed in this country.

Remember that the Dominion of Canada is part of a monarchy.

It's prime ruler is a King. He is represented in Canada by an appointee and this appointee recommends a Cabinet. This becomes the responsible body in governing the people. The Railway and Canals Commission of the Dominion is but a representative of the King, through the succession named.

The good people of Canada can vote subsidies to roads and give them of the public domain, but the "responsible government" looks after it after the action has been taken.

Through the line of succession of power described the Commission can override the Courts, the railroads and even the will of the people.

The Executive Department of a monarchy retains this right, and a Parliament can alter the constitution itself.

It is exactly the form of Government that we fought to get rid of, through the war of the Revolution. It was the revolt against this power which created our free and independent Nation. In our constitution we provided for trials before a jury. We protected our people in their ownership of property and intended to restrain our Executive Department from doing nearly all the things the Canadian Commission is allowed to do. We intended that private enterprise should carry on every business project, and naturally the railroad business should be handled the same as any other; competition will regulate the value of service.

The railroads of the United States are a success, while those of Canada, with the exception of the Canadian Pacific, and some sections operated in conjunction with American roads, are failures financially.

We get better service and cheaper rates through competition than Canada secures through government regulation. Our railroads pay \$65,000,000 tax to the states and communities, while the people of Canada are taxed to support the railroads.

If the same rate of tax was charged against the Canadian railroads as is paid in the United States, their twelve hundred millions of railroad property would earn less than 2 per cent

on the money cost of the roads, and this pittance would go to the bond holders in Europe and not to the Dominion of Canada.

There is nothing connected with the management of Canadian railroads that could be adopted with profit to the citizens of the United States, unless it was to pay a subsidy to our trans-pacific lines of steamships and enable them to meet that form of competition on equal grounds.

I have heard many men declare when told of the impracticability of delegating such power to a Commission in this country, that they did not know but what the forms of Government adopted by a monarchy were better than ours, because it had this initiative power of control over capital.

"The gates of Castle Garden swing out as well as in" and there are many monarchies and empires and but one United States, and men of that line of thought have my permission to go and enjoy themselves. I for one prefer the idea of government as laid down by the framers of our constitution, and to feel that I have a right guaranteed me in regard to control of my private property that cannot be changed by the whim of an executive or the vagaries of "reform" elements in Congress.

Canada has the right of free speech and free press, through sufferance of their executive; but they have not the "freedom" of control over private property that we possess; and which has enabled us to prosper as no nation has prospered in history.

CHAPTER XVII.

ENGLISH ROADS.

The development and operation of the railroad systems of the United Kingdom and the United States, has been along such divergent lines as to make direct comparison difficult

A good deal of the argument in favor of a Commission having regulative control in this country, is from the fact that the Board of Trade always has had that power in England to a more or less extent and no roads are owned by the government in the kingdom.

The Board of Trade for many years before railroads were operated, had a general supervisory power over the commerce of England.

It requested regulative and corrective laws in regard to shipping and Parliament usually granted its request. The President of the Board of Trade is a Cabinet officer and part of the executive staff. When canals were constructed the Board of Trade regulated and published the tolls to be charged. There was an idea in England in the early days of railway construction that they were only public iron ways subject to use by private parties, through payment of tolls, as on the canals; and many heavy shippers up to a few years ago owned their own cars and kept them in repair. With this idea in view when the first charters were given a maximum rate of tolls was specified in the charter and the Board of Trade furnished the figures.

However, it soon developed that the complications occasioned by handling traffic in such a way, would cause confusion and uncertainty, and the railroad soon furnished the power and made the rate to cover transportation as well as tolls. Englishmen are hard to change, and the Board of Trade still names a maximum rate in England, but the rate

is so much higher than we charge in this country, that it appears ridiculous to an American transportation man.

Then again the railroads of the United Kingdom were constructed between well known centers of trade, whose possibilities in producing tonnage could to a certain extent be determined, while three-fourths of the railroads of the United States were a speculative construction, gambling on the future prosperity of the country traversed. The interest of the railroad in England was to get as much out of the traffic as it would stand, while in the United States it was in the interest of the railroads to offer cheap service and "build up" their territory.

The discovery that "volume of traffic" had more to do with cheapening "units" of transportation than any one single thing, brought in great systems in this country, which reach this way and that with branches to bring trade to the parent stem, and create the volume necessary to enable them to charge low cost per unit from points in competition with other lines. This competition is so fierce as to furnish most of the argument on the part of railroad men and others, in favor of a pooling system. I cannot see but what this competition is an advantage to the public, as I have explained in another chapter. The great volume of low priced traffic enables the residents along the line to receive cheaper and better service themselves.

The duties of the Board of Trade in England naturally have grown with the increase of railroad transportation, and for years it made an attempt to cover the regulative control through general laws, and from 1881 to 1893 committees worked faithfully with that end in view, and the consensus of their views resulted in a general classification, and a system of maximum rates for different lines; but the Board of Trade since the passage of that law has made a long list of exceptions, even under the varying rates prescribed. The present maximum rate in the United Kingdom averages about as follows on the greater lines:

Classes	First 20 miles	Next 30 miles	Next 50 miles	Balance of Distance
A.	2.30	1.80	.90	.80
B.	2.80	2.10	1.60	1.10
C.	3.60	3.00	2.40	1.40

Classes	First 20 miles	Next 30 miles	Next 50 miles	Balance of Distance
1.	4.40	3.70	2.80	2.
2.	5.30	4.60	3.60	3.
3.	6.20	5.30	4.0	3.60
4.	7.20	6.30	5.	4.40
5.	8.60	7.40	6.50	5.

The foregoing statement covers the rate per ton per mile in cents charged the different classes and it will be seen that with the usual "set" way of the Englishmen the class rule is reversed from ours, or any other classification in use. Some of the great lines running north from London have a slightly lower maximum on some of the classes and those south of London have materially higher.

Constructive mileage is allowed the Severn tunnel and Forth Bridge, and there are exceptions in several other instances to cover peculiarly expensive sections, etc., but the maximum is a "rate per mile," the only practical way of regulating by law the traffic of a railroad company.

The exceptions granted by the Board of Trade have at times been ludicrous—some of the roads would have gone out of business with even the extraordinary maximum allowed, without special changes covering the situation. The Liskeard and Caridon railroad is allowed to charge 6 cents per ton per mile on heavy traffic, while the maximum on confectionary is only 5 1-3 cents, but if the road don't get the 6 cents per ton on the metal carried, it would go out of business entirely, and the customers depending on the road for transportation demanded the change. The Board of Trade changed the low class maximum but allowed the higher classes to remain unchanged. The Board of Trade do not consider the long and short haul provision as of importance; they recognize the necessity of low rates from competing points, even though towns along the line pay fifty per cent higher rates for a less distance to the same market. Prof. Ackworth tersely expresses the English idea of this form of apparent discrimination when he says: "To call upon a railway company to give an inland town rates on the same scale as those it gives where there is sea competition, simply because it there gives them, is to call upon it, not to main-

tain equality but to counteract inequality, for which not the railway company, but the Author of the Universe is responsible."

The necessity of special rates is recognized in England and exceptions made in many instances where an industry can be assisted by especial accommodation.

In nearly all of the special rates granted by the authority of the Board of Trade a specified amount of tonnage is named. When the Birmingham Corporation constructed their reservoirs and aqueduct a special rate was made on cement and pipes outside of the tariff provisions, and cancelled upon completion of the work.

The Board of Trade has always recognized the wholesale right of sale of transportation by railroads, and recognizes that a rate on ten cars per day should be lower than on one.

It can be seen that a good many things are allowed in the United Kingdom that would be unlawful in the United States, and that if it is desired by the American people to follow the English style of government control, we would have to change about all of our laws relating to the subject. The regulative control of maximum rates exercised in England has been one of the main reasons for the excessively high tariffs.

Of course where it has cost an average of \$280,000 per mile to construct the roads as in the United Kingdom, a greater charge is necessary than in the United States where the average is about \$50,000, to pay the interest charges; but the main thing which has prevented English railroad managers from entering into competitive ventures and keeping abreast of the new era in railroad manipulation of transportation, is the fact that in 1893 the maximum settled upon was about the going tariffs, and the argument used in giving the Board of Trade the power to promulgate the maximum rates selected, was that the rate proposed was only about what had been charged before. The railroad men naturally are very careful about giving low rates for fear another "maximum" would soon develop.

Prof. Ackworth gives the position quite clearly when he says: "The legislation of the years 1891 to 1894 has done much to prevent any natural and gradual lowering of rates. A railway is still free to lower. It has ceased to be free to

raise. A manager may desire to lower a rate, hoping thereby not only to benefit trade, but also by largely increasing the volume of traffic to increase his own net earnings. But it is only a hope. In the nature of the case certainty is not attainable in advance. A prudent manager therefore will not, unless his hope is closely allied to certainty, lower a rate, when he must face a law suit before he can put it up again."

This is an Englishman's criticism and the reason why the roads of the United Kingdom charge so high a tariff. It sounds like human nature. The result is that the Board of Trade resolves itself into an arbitration court sitting on quarrels among neighborhoods, and losing sight of the greater questions concerning the public good. In fact the office of President of the Board of Trade is a sinecure farmed out to favorites, the last President being notorious through his ability to crochet, embroider and use a needle as deftly as a woman, rather than for any business ability.

In fact Professor Hadley rightly describes the ultimate duties of a regulative government board on transportation matters when he says: "They are not occupied with the question how to lower rates, but how to keep the right proportion between existing rates." The result has been that freight rates in the United States have been lowered 18 per cent since 1892, while those in England stand steady.

It has prevented that natural competition between roads which would benefit the public, and there is not a single feature in railroad control as exhibited in England, but what would injure the business of transportation in the United States and lose money for the "people."

It took a couple of years to formulate the revised tariffs on England's 22,600 miles of railroad, and several years more for their business interests to grow accustomed to the slight changes made in 1893, and now the most able economists of that country say it was a mistake.

How much worse it would be for such interference in the United States with ten times the length of railroads and three times the tonnage transported! The states of Illinois and Iowa alone have as many miles of railroad as the United Kingdom.

While the English railroads do not publish their statistics, so that the "unit" cost can be determined definitely,

averages have been obtained by theoretical systems quite satisfactory, so that the London "*Statist*" assumes that the average haul per mile of passengers is 7.8 and 24.86 miles for a ton of freight; with those figures used as a basis it is found that the average revenue per passenger in England is 1.54 cents per mile, and the revenue per ton per mile for freight is 2.47 cents, as against 1.96 cents per mile per passenger and 0.76 cents per ton per mile for freight in the United States.

As an example of the results of operation I have developed a line of comparison on three sections of road of about the same length, one in England and two in the United States. I have selected the London & Northwestern in England which owns one-tenth of all the railroads of the United Kingdom and carries about one-tenth of all the passengers and freight transported and whose accounts are intelligible to an American.

The figures on that road are for the year 1901.

For the purpose of comparing a similar system in the United States, I take the N. Y., N. H. & Hartford Railroad from Poor's Manual for 1903. This road gives the same class of service in the United States as English roads are expected to give. Its traffic is between definite centers, but through local demands has no great volume of traffic flowing along well defined lines. (The percentage of mineral hauled over this road is estimated.)

The other comparison is the Pennsylvania Railroad proper, in Pennsylvania, where the traffic is well in hand and by favorable rates is thrown on definite lines in large quantities; taken from their official report for 1903 in my office:

A COMPARATIVE STATEMENT.

	London & North-Western	New York, New Haven & Hartford	Pennsylvania Railroad
Miles operated.....	1,937	2,037	1,772
Gross earnings from freight.....	\$36,840,340	\$21,018,284	\$56,822,690
Total tonnage freight	42,723,084	17,145,313	81,835,102
Percentage minerals.	71.25	50.	67.
Percentage other merchandise....	28.75	50.	33.
Total freight train mileage.....	21,285,217	6,395,676	18,797,000
Total tons freight carried 1 mile...	1,538,030,024	1,444,544,216	10,156,387,883

	London & North-Western	New York, New Haven & Hartford	Pennsylvania Railroad
Average train load tons	72.25	226.	540.
Average miles one ton carried	36.	84.	124.
Earnings per ton per mile, cents.	2.37	1.45	.559
Expenses per ton per mile, cents.	1.49	1.04	.377
Net earnings per ton per mile, cts. . . . .	.88	.41	.182
Number of freight cars	77,512	13,535	104,399
Gross earnings, pas- sengers	\$23,354,570	17,866,425	12,775,972
Passenger train mileage	26,657,263	14,687,835	10,458,871
Passengers carried	81,512,290	58,838,131	26,759,575
Total passengers carried 1 mile	1,222,684,350	1,024,201,252	613,291,968
Average number of pas's'gers per train	46	62	59
Average number of miles per pass'ger	15	18.80	23
Av. earn'gs per pas- senger per mi., cts	1.8	1.74	2.08
Av. exp. per passen- ger per mile, cts.	1.134	1.27	1.54
Av. net earnings per pass. per mile, cts . . . . .	.666	.47	.54
Number of locomo- tives	3,012	942	2,511
Percentage of oper- ating expense	63%	71.8%	65.4%
Total earnings	67,492,236	43,521,087	72,886,738

In this statement the earnings per ton per mile on freight carried by the London & Northwestern includes delivery charges for certain classes of high class freight, so that the net rate per ton per mile for the same class of service as is given in the United States should be 2.15 cents.

It may surprise most readers to know that the rate charged for passengers on this great English system averages a little higher than the N. Y., N. H. & H. R. R. in the United States; but it is a fact brought about through the proportion of higher class passengers traveling on long distance trains on the English road.

The average charge per passenger in England is 1.54

cents per mile, but this includes so much travel that we carry in electric suburban service, at a cost of less than one cent a mile, as to make the general comparison useless unless we include the same in our estimate. It will be noticed that the profit per passenger is less in this country than in England, and the difference is represented in higher pay to laborers, and more expensive equipment. As the maximum rate is 4 cents per mile on first class passengers it can be seen that competition regulates the rate on this English road more effectively than government control.

A comparison of the results of freight transportation is more instructive.

It is shown that the average rate per ton per mile on the English road is 2.37 cents; on the American road without volume of traffic 1.45 cents and on the Pennsylvania railroad 0.559 cents. It also shows that it cost the English road 1.49 cents to haul the freight while the New Haven road paid 1.04 cents and the Pennsylvania railroad but 0.377 cents per ton per mile.

It can be easily seen that a good part of the difference in cost is brought about by the fact that a ton of freight only averages 36 miles haul on the English railroad, while on the New Haven it is 84 and on the Pennsylvania 124 miles, and that the train loads of 72, 226 and 540 tons respectively are occasioned, First: by larger tonnage from through traffic and, Second: through the superior equipment in the United States.

As an example of the importance of the length of haul, the New York Central, where the average length of haul runs up to 180 miles, can carry freight nearly as cheaply as the Pennsylvania Railroad, although averaging but 387 tons per train.

Note the importance of continuous haul in large train loads as an element of cheap transportation, and that in this country the "scattering" of traffic on the New Haven road, even with superior equipment obliges that company to pay nearly three times as much for operating expenses as the Pennsylvania railroad.

But the important point gained by this comparison is that a regulation of rates such as the Board of Trade in England follows, would not affect the great railroad systems of the United States at all, and that if a commission now assumes

to declare a maximum based on present rates in the United States, then farewell to decreasing freight charges in this country.

Furthermore, if failure of crops or panic comes to interfere with the great flow of interstate commerce now enjoyed, a maximum rate based on present charges would ruin one half of the companies in the Union.

England's regulation of rates furnishes no lesson for us to follow and only calls attention to the dangers attending an attempted regulation of business affairs by law, even when numerous exceptions are allowed to cover different conditions.

CHAPTER XVIII.

FRENCH RAILROADS.

Were it not for the fact that France has the third largest mileage of railroads on the continent, it would be a waste of time to explain her system of rate regulation. The power to regulate railroad rates is supposed to rest entirely in the executive department of France.

The Minister of Railways is supposed to have the power to act, but when a change is asked for, the forms and ceremonies required, bring forcibly to mind the French cartoons of Alphonse and Gaston. The shipper or the railroad requests that a change in rates be allowed. The Minister of Railways instead of acting says to the prefect of the department where the change is desired "You first Alphonse," but he in turn refers it to the local chamber of commerce and commercial bodies of the locality, saying "No! no! Gaston, it is you must speak," and after notice is published for thirty days, and investigations made by railroad inspectors and the engineers of the Canal system, a decision is given possibly that the provisional rate would be allowed, subject to the approval of the Minister who started the unwinding of red tape originally.

It usually ends in some canal boat captain or civil engineer saying that things have been going on for twenty years without such changes being necessary, and that it might not do to allow the rate.

But before this government nonsense has culminated in a direct refusal the shipper or the railroad would have forgotten the incident or made other arrangements.

It has been found harder to change the rate than the location of the factory in most instances.

The French railroad system consists of 28,102 miles

of road, in which corporations have an interest in all but 1,726 miles owned by the government (taken through bankruptcy of the companies).

The railroads of France were planned in the time of the Empire with a view of connecting all parts of the nation with Paris, and were a part of a central military system. Planned by the government without much regard to business conditions, great difficulty was encountered in securing private capital to construct them, some being planned along such evidently unprofitable lines.

The government assisted the corporations, and made the assistance usually through purchase of the right of way, the companies building the superstructure thereon. So that in most instances the corporations merely own the tracks, buildings and equipment, and the government furnishes the ground.

It was intended at the start that the government should purchase the superstructure at the end of fifty years, but that time has been extended to a ninety-nine year term and it is doubtful even with the great wealth of France, if that nation will ever feel rich enough to own the roads.

Through guarantees of interest to private investors and subsidies voted by the government to keep the roads in operation, peculiar conditions have developed. For instance the "railroad of the west" owes the government \$67,400,000 while the total value of the property of the corporation is less than \$68,000,000. The "railroad of the south" owes the government \$49,000,000 and only owns \$45,800,000 of property. The government annually pays out \$18,500,000 guaranteed interest, and the railroads are behind 1,000,000,000 francs in their payment to the government, and the people appear to be satisfied that it is no worse.

The railroads now represent a value of about \$142,250 per mile, if the government interest is counted at par, but their actual value is an enigma. The government being part owner, and assuming to make the rates, has placed itself in such a position that the corporations play a safe game of "heads I win and tails you lose." The courts recognize that the government has taken away the stockholders only way of protection, so the stockholder receives his interest and the government makes the rate and "holds the bag."

The government having a direct interest in the Canal system of the country does not allow the railroads to make a rate less than 20 per cent higher than those charged on the canals and rivers, and as they necessarily have to divide traffic with them, it is impossible to create the volume of traffic necessary to assure a low rate per unit.

The result is that the average rate per ton per mile is 1.33 cents in France, while it averages but 0.76 cents in the United States.

The government control of rate making in France is simple nonsense, certainly not business and offers citizens of the United States no practical suggestions to follow.

Since the Empire, which created most of the railroad system of France, has passed away the government to a certain extent represents the people, and it is entirely proper for the government to make the rates if the people stand the losses incurred.

No arrangement of this kind would be satisfactory in the United States, even if it were constitutional.

While the internal political economy of France offers many valuable suggestions it does not improve on our system of transportation and rate making.

In France as in Germany the government has such a great interest in the canals that it prevents railroad competition, and as the railroads of France were constructed with the definite intention that they should not compete with each other, the internal commerce of France never has received the benefit derived from private incentive. They are used to it and we in this country are not, and don't want competition prevented either by law or through pools.

The effect of governmental rate making in France as in Germany, is to throw the great freight traffic of the country on the canals and rivers.

While the freight traffic of the roads has increased in the last twenty years, the canals and rivers although but 7,700 miles in length, as against the railroads 28,102, have increased their proportion of tonnage carried from 17 per cent to over 25 per cent in that term of years.

The political objects in government rate making in France are nearly opposite to those of Germany. The German idea is to decentralize traffic and prevent the growth of large cities, while in France the whole desire appears to be to

bring things into, and out of Paris, but through the destruction of all competition, the latter movement is lethargic.

The French government at all times has attempted to make Paris the ideal spot, and rates are made with this object in view, so that there are some low rates given on coal, coke and building material down to within the 20 per cent understood limit over canal rates. The French government in constructing tariff uses the mileage base (the only one practical for government purposes) but with the French idea of exactness they divide the lengths into smaller sections than in England. One rate per ton per mile is charged for freight going 15.6 miles, then 46.8, 156.2, 187.5 and so on, but the lowest regular tariff rate is twice per kilometer what we pay for miles in the United States.

Many special rates are also made by the French government. If wheat is high the rates are cut and the freight tariffs are used as an equalizer or supporter of the tariff imposed on products.

The government is not hampered through sectional differences as is experienced in Germany, and were it not for the protests of those interested in water transportation many changes would have been made. All Frenchmen are willing that Paris should get the best and the cheapest, and were it not for this unwritten law that railroads must charge 20 per cent more than the canals, the railroad of the north in France (the greatest system) would long ago have driven the 300 ton canal boats out of service.

But the French government has such a large investment in canals that it is placed in the same position that Germany finds herself, i. e., that they cannot use their railroads in up to date methods of transportation because if competition was allowed, either the canal or the railroad would suffer and as a natural result the "people" have to pay the freight.

It can be seen that the high charge for transportation is directly the result of government interference in business transactions in both Germany and France, and that although they charge nearly twice as much freight as we do, they have nearly reached the limit to which they could go in cheapening transportation, while all transportation men in this country know and expect to greatly reduce transportation charges in the United States. But let the law step in and politi-

cians demand that this locality or that, be given the same privileges as the centers of trade now receive and have a political board say what the maximum charge shall be on the traffic; it would be a matter of business, for railroads not to experiment in low transportation or reduce tariffs for fear of "new maximums" being developed and new duties imposed that would ruin their property as an investment.

Following along the lines of control in France, Germany and Austria some "reformer" has introduced in the rate bill a provision that the Inter State Commerce Commission should take charge of water and rail transportation when through rates are made, evidently not knowing that this would be impracticable in the United States while proper in the countries named.

If we should follow French precedent in this matter, the Inter State Commerce Commission could be called upon by the steamboat men of the Ohio and Mississippi Rivers, with a demand that railroad rates be advanced so that the boats could make a profit. The state of New York after squandering her \$100,000,000 on the Erie canal could demand that the railroads be called upon to advance tariffs so as to make their venture pay. As the commission, under the constitution, if they do anything with rate making, must see that the ports of one state receive the same treatment as another, the authority itself complicates any action they might take.

Competing private interests are warranted in forcing an advantage to a point which would destroy some forms of competition. Our railroads have about finished up the canals, and our river transportation is confined to very low class traffic through their competition, but a government board would be sadly out of place if it had power over both lines of traffic to make rates on one which would destroy the other.

In justice to themselves and in accordance with the intent of the framers of the constitution, in case of such a protest being made, a raise of rates would naturally be ordered as is done in France and all other countries where government retains an initiative power over rate making. However, the "people" of the United States would pay an increased tariff just as they do in France and Germany.

CHAPTER XIX.

GERMAN RAILWAYS.

There are peculiar conditions connected with the rate making power by government in Germany not existing in any other country. In Germany the railroads are used openly as a political factor, and military adjunct.

The first charter laws passed in Germany provided for government ownership after a term of years. Since 1879 it has been the policy of the German government and states to own their railway lines.

The corporations were bought out under a form or railroad valuation, based as a general thing upon a capitalization of net earnings.

A term of five years was used to equalize the earning capacity, and twenty-five times that amount of $3\frac{1}{2}$ or 4 per cent government bonds exchanged for the property in lieu of the corporation securities; the companies dividing the bonds under agreements made between holders of the different issues. While this was not the only factor considered; as future earning capacity, cost of construction and many other things were considered in the purchase of different sections of road, it was the base of all negotiations.

However, the stockholders of railway shares in Germany soon recognized that it was better to sell to the government after it had secured the larger lines, because their property would be isolated and earning capacity destroyed by government influences.

At the present time the government and the states own all but 2,815 of the 33,819 miles of railroad in the Empire, and have paid an average of \$105,400 per mile, and in a short time should own the entire mileage.

When the Prussian Diet agreed to the purchase, and

when the other Principalities joined in nationalizing the railway system several promises were made on the part of the government, which have not been lived up to at any time, and it appears that this is a case where an executive departmental power has been created not subject to control after its creation.

The government had assured the Diet that beyond a reasonable sinking fund and payment of interest the railroads were not to be made a source of income. The supposition was that if any profit was derived, it would be retained as a surplus fund to cover the "lean" years, or in time wipe out the indebtedness created through purchase of \$3,457,000,000 of property and that successive years of profit would result in reduction of rates in the interest of the people. The "people" have received slight consideration since the government secured control.

The roads are profitable, as most of them are operated in populous sections, and with labor paid less than one-third the amount received by railway employees in the United States. At times of late years as high as 7 16-100 per cent has been earned, but after payment of the interest on railroad bonded debt and reserving on an average one-half of one per cent sinking fund, the balance has been used for government purposes. The equipment has been allowed to deteriorate to such an extent as to place the railroads of Germany today, about where those of the United States were in 1892 as transportation factors.

A progressive railroad man in the United States would throw three-quarters of the German freight equipment into the scrap heap, as a measure toward future economy in operation.

With all of the great progress made by Germany in the last ten years, industrially, which should naturally have cheapened railroad per unit charges, the rate per ton per mile which was 1.32 cents in 1892 is 1.253 in 1903 while in the United States the rates have decreased 18 per cent in the same time, averaging but 0.76 cents the last few years.

The business men of Germany fully understand that the Crown uses the railroads for profit. In fact the ministry has several times refused to lower rates because it said the government "needed the money."

While the politicians of Germany (except the socialist wing) vehemently deny the assertion, it is a fact that the government uses the rate making power as a political lever to pry this or that feature through the legislative department.

The rates are made with a view of assisting the protective tariff demanded by the German producers, and also as a form of protection from competition of one section of the Empire against another.

Local jealousies of states are recognized by the government and within the German Empire there is an antagonism of state against state which extends to business as well as politics. This antagonism is fostered by the central government, as it causes the several states naturally to look to the Emperor for protection not only from the outside, but from each other.

The local jealousies at times become ludicrous. To an American the incident at Leipsic when the Saxons push the through car by hand over to the Prussian rails, and it is then taken in hand by a crowd of Prussian "pushers" because the engines of one state are not supposed to transgress on the rails of another, is a comical incident in European travel.

In the United States the protests of passengers over such "horse play" would oblige competing or warring railroads to transfer with power and save needless delay.

Protest of passengers in Germany however receives slight consideration, and it soon dawns on the mind of travelers when confronted with the overbearing tyranny of the government understrapper at the stations, that there is a material difference in putting yourself under orders on a government road and buying respectful service from a private corporation.

In Germany a shipper of freight who expresses discontent is informed that the government is doing all it can for him, and if he would chance to damn the situation would be subject to "Les Majesty."

By playing the interest of one section against another through favors shown or withheld, nearly anything the government desires is "log rolled" through the legislative department.

The Emperor uses the railroad system of Germany for

three well defined objects of importance, in the order named.

First. As a military necessity through which he controls all transportation in times of war or internal disorders.

Second. As a political lever to bring recalcitrant politicians or sections of the Empire to subjection.

Third. To make money.

Of course there should be some feature presented about the "people" having some rights or benefits from the transaction but a study of German railroad methods, and their objects in rate regulation, do not develop where they come in. If the people are dissatisfied they can ship on the canal.

The rate making power is exerted in Germany with the purpose of decentralizing traffic, and instead of developing transportation lines with a view of maintaining sufficient volume of traffic to warrant a cheap charge per unit, the policy has been to scatter the volume of traffic and confine it to local sections.

In fact the government, when the permission to purchase was asked of the Prussian Diet, stated that it would among other things "attempt to decentralize industry and check the growth of large cities." The result is that the average haul per ton is 72 miles in Germany, while in the New England states under the same practical conditions it is 86, and in some of our "groups" arranged by the Inter State Commerce Commission, the distance runs up to 220 and 225 miles in the United States. It readily explains why the charge per unit of transportation cannot be lowered. In the New England states on account of the short haul per ton and the scattered traffic, the charge per ton per mile is 1.167 cents the highest of any group in the United States, and the use of improved equipment about offsets the remarkably low wages paid in Germany.

In Germany while the rate per ton per mile is figured at 1.253 cents, when the gross freight revenue is considered the result is 1.44, owing to some terminal collections not figured in the other estimate.

Such revenue while it would materially increase the apparent charge per ton per mile, in many cases secured additional service over what railroads give in the United States, so I use the smaller amount in comparison.

The fact is the German railroads are reduced to the

position of mere "feeders" to the canal and river systems of Germany, and the waterways carry the bulk of the freight of the empire.

The proportion carried by the canals and rivers is increasing each year, and the government is still constructing canals to further decentralize traffic.

The present average charge on the waterways of Germany is 0.346 cents per ton per mile. The size of boats vary from 100 tons on the smaller canals to as high as 2,000 tons on the Rhine, although the average of 600 tons prevails on the river. The great industrial development of Germany has been possible only through cheapened service on her waterways; the railroads have had but little to do in the great advances made.

The government does not allow the roads to overcome geographical location by constructing lines of traffic, and thereby cheapen transportation, as it is against their public policy.

The railroads in the United States pay but little attention to canal competition. The Erie canal with its 240 ton boats sees a decline in tonnage each year, and as the rate frequently is made as low as $5\frac{1}{2}$ cents per bushel on wheat from the lakes to the seaboard by the railroads, it can be seen that the railroads of this country would soon drive a canal out of business which charged 0.346 cents per ton per mile; because they give quicker service at less cost.

In the month of September, 1905, out of a total grain receipts (flour to grain) at New York of 11,292,943 bushels, but 1,532,975 passed through the canal and there were 3,883,503 bushels carried by the railroads between the lakes and New York in direct competition with the canal.

In Germany this competition would not be allowed. Mr. Von Miquel the German Minister of Finance plainly informed the people that the government would not lower freight rates on the railroads to compensate localities of one section, when other sections received benefits through canal construction, nor would he allow such low rates on the canal as to impair the profit making power of the railroad. Thus competition is stifled and all new industries are forced to locate along some waterway.

Mr. Jencke, one of the executive heads of Krupp &

Co., who had been long in railroad service, in a public address in 1896 said, "that if the railways had remained in the hands of corporations they would have quelled in its infancy the agitation for canals by lowering their charges to the presumptive canal rates."

The government through need of money and this decentralization of traffic, having made it impossible for German roads to reduce tariffs, has used the rate making power only to serve local conditions. Special rates are given beet sugar for export; the rate on imported foods is maintained by the railroad, because the minister of finance naively puts it that he "does not want the railroad rate to counteract the duty imposed."

The rate making power is avowedly used as a secondary protective tariff on imports and an open "rebater" and bounty giver to exports.

The German government while publishing a rate per mile tariff, finds that to do business it is necessary to make exceptions and on these government owned railroads, run with an avowed purpose of localizing railroad traffic, 63 per cent of the freight moved is on special rates given.

To aid the coal interests progressive rebates are given to producers who compete with English or French coal.

The rates are made on "train load" shipments of from 200 to 300 tons, giving large shippers a material advantage over car load shippers, and in case of rebates, the limit of tonnage runs into the thousands. Thus the coal shippers of the Ruhr district receive a rebate of 14 cents a ton, if they ship not less than 75,000 tons to Paris in a year. In Germany the wholesale selling of railroad transportation is recognized in its system of special rates and rebate allowances.

This is a natural result when railroads are only adjuncts to waterways; the "reformer" in the United States who demands that the little shipper be given the same rates as the large one, fails to understand that he asks for a change in economics not recognized in any other country. Whenever water transportation is used the large shipper has a tremendous advantage through being able to fill the largest boats and receive the cheapest service, and in time they crush out the smaller competitor because of this advantage, and in Germany the railroads recognize that the large shipper should receive a lower rate.

Of course the government makes the rate alike to all, but the conditions prohibit the small shipper from receiving the benefit of the lower special rates. The government has stopped all secret rates and offers as low rates as were given shippers by the corporations but it obliges the shipper to do certain other things.

Since the government has had the rate making power in Germany, the only consideration given the "people" has been to advance rates, and prevent one section from interfering or selling in other territory than its own.

The three iron districts in Germany are all given cheap export rates, but the tariff is nearly prohibitory if they should attempt to invade each others' territory. The grain growers of eastern Prussia can ship their grain to Sweden and Norway, and receive a bounty of 35 marks per metric ton, but the railroad rate absolutely prohibits them from sending their wheat to Rhenish Prussia (their greatest industrial center) because the grain growers near that district demand that the government do not use the railroads for the purpose of destroying their natural geographical market. They do not furnish grain enough themselves, and the remarkable business (?) anomaly is presented of Prussia paying a bounty on wheat exports from eastern Prussia, and collecting a tariff on nearly ten times as much wheat imported into the iron districts of the Rhine.

For the past twenty years every attempt of the government to increase railroad traffic by reducing rates on Russian, Austrian or foreign products, has been met with a storm of protest from local interests in Germany, and the only lower rates that have been allowed are on things for export. Political economists in Germany estimate that the wheat of that country can only stand an average of 125 miles haul, at the rates made by the government, while it is a well known fact that the grain of the United States averages 1,000 miles haul by railroad before placed in ships for export.

CHAPTER XX.

GERMAN RAILWAYS.

It can be seen that the principles which govern German rate making and those in the United States are antipodal.

One is the direct result attained by governmental regulation and control of the rate making power; the other of competition between corporate interests.

The German government tries to and our government must (if the power is granted) do exact justice to each section of the country. In fact the provisions of our constitution are so explicit on this matter that the United States would be held closer to a hard and fast rule than the German Emperor. Germany makes her rates at so much per mile with a terminal charge. While our railroads make rates to meet business requirements.

On "inter state " commerce (or sections if you please) in Germany the low class goods are charged a terminal charge, then 0.9 cents per ton per mile for the first 62.5 miles and then about 0.76 cents per ton per mile and it is not desired or expected that you ship much further than 225 miles at that rate.

It is not public policy in Germany to have one section or state in the nation attempt to equalize values through competition with other states; and it is "politics" for the government to pretend at least to retain geographical advantages to certain localities.

There are a few lower exceptional rates than the ones named, but they are given on export products to "boost" the manufacturing or the beet sugar interests, and would make the "reformers" in the United States throw several successive fits, if attempted in this country by the government.

To keep the farmers quiet the German government gives them the lowest rate published on a calcium salts used in

the manufacture of manure, and it just meets the average rate per ton per mile charged by the canals. The German farmer pays nearly five times as much freight on his wheat as on his salts for manure, and the low rate on manure stuff is about all the consideration he gets from the government owned railroads of Germany.

The lowest German rates on coal for German use would raise the price of soft coal \$1.25 per ton all along our eastern sea coast, and drive all of the Southern Pacific coast trade in coal to Australia. The lowest German rates on wheat would raise the rates on export grain 25 per cent between Chicago and New York, and her internal grain rate would limit the mills of Minneapolis to a wheat acreage contained within a circle of about 125 miles.

The lowest rate between the Lakes and seaboard would be 9.8 cents per bushel as against $5\frac{1}{2}$ at present charged. The German idea of economics would be to have the traffic go on the canal anyway.

If the people of the United States propose to have the government regulate and control railway rates, the rate making power must recognize the claims of one locality against another, and decide what a just and reasonable rate would be for the whole people. It brings the American people down to a decision, as to whether they want to decentralize traffic and population, and prevent the growth of cities, as is the avowed purpose in Germany, or whether they desire our present methods of railroad transportation to continue. In Germany the length of haul is the material factor, and the quantity a consideration. In the United States quantity of traffic is the material factor, and length of haul a consideration.

A mileage rate by law will obliterate our great through transportation systems by railroad and revive our waterways.

It would destroy such places as Indianapolis and Columbus, Denver and Nashville and build up towns like Cairo and Paduca and Memphis.

The people can divide on this question with as much honesty of purpose as they divide on tariff matters. Our system nationalizes traffic, the German localizes it. I have explained this feature to several men and found one who thinks it better to make the set rate per mile and localize

the traffic thereby, claiming it was wrong for our railroad system to so arrange tariffs as to enable California to compete with Florida up to her very boundaries, and deliver the pine lumber of Oregon along the edge of the lumber forests of Michigan.

He was one of those staunch old Democrats who doubt the advisability of new fangled things.

He felt it an outrage that the beautiful, palatial river steamer should be replaced by screaming, noisy trains. He thinks it wrong that those hundreds of towns brought into being through locations of natural beauty or local resources, along our great rivers and canals, should sleep in peace, while "junctions" have become busy centers, and great cities built up in swamps.

This man even if he knew that the decentralization of traffic, and that any rate which could possibly be named per mile, would bring a revolution in our economics, could look on with complacency; but when I told him that the Democrats of the House had voted for a national rate control and that a Democratic Senator was floor manager for the bill before the Senate, he said that "times were out of joint" when men claiming to be Democrats advocated placing any such power in the hands of an executive. It overrides every principle of state rights, although the state had given the companies their charters; it places control in the hands of the government, which cannot help but interfere with private citizens' ownership of property, and this Democrat joined me in saying that the agitation was not Democracy or Republicanism, but the rankest socialism or a veiled attempt to build up autocratic power as in Germany.

Germany does not furnish any object lesson which we should follow in rate regulation. The progressive business men know that our private control of rate making power left free to act, is more safe than any power placed in government hands. Private control of rates gives elasticity and adaptability to varying conditions; Germany's government control does not. The farmer in the United States living in Nebraska or Dakota competes with the farmer in Oregon and New York on nearly equal terms; in Germany his market is limited to about 125 miles of territory.

Nine-tenths of our farm products are eaten by our in-

dustrial population, and if the rate making power destroys our long distance handling of products of mines, and succeeds in scattering our industrial centers and prevents growth of great cities (the avowed purpose of the German roads) the great decline of farm values will commence.

In Germany as in the United States the great bulk of railroad traffic is the product of mines (not farms).

In 1903 while agriculture furnished 9.56 per cent of the railroad traffic, animals 2.63 per cent, forests 11.56 per cent and manufactures 14.39 per cent the mines furnished 51.56 per cent or over one-half of all tonnage hauled by the railroads in the United States, and the tonnage of the Great Lakes at times credits 85 per cent to the mining industry, it can be seen that the iron, coal and other mineral products carried at prices which could not be properly regulated by a rate per ton per mile, ordered by the government, would be the main industries to suffer.

In 1879 a German government commission reported officially that the United States could never compete with Germany in the manufacture of iron, because the fluxing properties and ore were at such great distance from the coal that the cost of bringing them together would prevent cheap production.

They counted not on the aggressive ability of our transportation companies, and today, the ores of Michigan and Wisconsin are mixed with those of Pennsylvania and Tennessee, and melted with the coal of Ohio, West Virginia and Pennsylvania, and the product is gradually driving England and Germany out of the markets of the world. This cannot be done in any country where government dictates maximum or any other rates. The rate at times necessarily has had to be so low that if continued it would bankrupt transportation companies, and as a business proposition the transportation companies never make the rate so high as to stop operation.

Any reasonable rate enforced by law would unsettle all of our great mining industries and localize traffic, and prevent the growth of cities in the United States, as it is intended to do in Germany.

Under private control location and distance is lost sight of when business conditions require it; government would be obliged to recognize these factors or do unconstitutional acts.

If we fear the growth of large cities (the terror of Emperors and Kings) the German system of economics may be well, because a government board or an executive having power to declare what a reasonable rate shall be, could without apparent unjust acts dissipate the crowded centers around Pittsburgh, scatter the great cities of Chicago and St. Louis, build up new centers of industry in Tennessee and Virginia, and do it all by law.

This is good in Germany but do we want it in the United States?

In this agitation when socialists advocate an imperial control over railroads by the people's executive, they fail to carry the results of governmental control to its logical conclusion. It of course leads to the time when a socialistic despotism or an Empire not only controls but owns the railroads under a pretence of protecting the people. These advocates are confronted in Germany by peculiar conditions.

Civil service reformers and labor leaders in the United States would be shocked at the plain expression of the Prussian minister of public works when he informed the railroad employees that "no employee can be a social democratic agitator and retain his position; that final authority cannot at the same time reside in labor unions and in the ministry, and that as long as he is minister, authority shall remain in the department of public works." I think that even our socialistic friends would not want Germany's control duplicated in the United States.

CHAPTER XXI.

THE RAILWAYS OF AUSTRIA-HUNGARY.

I combine the Austrian and Hungarian railway systems in my comparisons for two reasons. First: except for local purposes the rates made and the objects desired are of the same general character, and Second: that both systems have passed through about the same financial trouble, ending in being a load on the taxpayers.

These railroads were started with the same idea as those of France, with a purpose of enabling the Empire to control the people by governing lines of transportation. Austria attempted a complete ownership at first, but the hard times following the panic of 1857 obliged the nation to sell out to private owners at a great sacrifice. As an inducement for capital to invest and complete the system planned, guarantees were given that the receipts would amount to certain sums. The panic of 1873 and the succeeding depression and interference with transportation by Germany caused these guarantees to become so onerous that as a matter of self protection the government again assumed the policy of government ownership.

The result is that Austria-Hungary has 23,229 miles of railroad and the government now owns or operates all but 6,852 miles and it is its policy to acquire the rest. The corporations have gradually sold to the Empire all the roads which do not pay, and are now attempting to place a fictitious value on what are left with a view of "soaking" the government in the future.

The Pennsylvania Railroad in the United States transports nearly as much tonnage each year as the roads of both these nations combined and carries that tonnage at a rate 58 per cent less than the roads in question.

The mileage in Austria is about 12,409 and in Hungary 10,820 but the traffic in Austria is nearly three times as heavy as in her sister state.

The Austrian railroads represent a value of \$111,032 per mile as against \$64,860 in Hungary. It is not fair to consider values in comparison with American railroads because the government pays a loss each year of from \$13,000,000 to \$15,000,000 out of the public treasury, and no one could tell what the value would be if the government withdrew support.

The railroads of Austria-Hungary through the results of government control, are merely feeders to the waterways of the country or local connections, as in the German states; and if anything the local jealousies which prevent a comprehensive rate making system, are more fully developed here than in Germany.

While apparently united on the map and under the same emperor the business interests of Austria and Hungary have always been antagonistic, and both of these states use their power over railroad rates with a deliberate purpose of preventing the trade of one state from encroaching on the other.

The average rate per ton per mile in 1903 was 1.26 cents in Austria and 1.24 in Hungary but the change made in 1904 of the Zone tariffs (which will be explained later) will undoubtedly make the rate amount to 1.32 or 1.35 cents per ton per mile when statistics from operation are received, as against our rate of 0.76 cents in the United States. This will put the roads of these nations about on a par regarding freight charges with those of France.

The railroads of Austria-Hungary are not a success and the efforts of different ministries have been to bring profit to the state out of the venture. The political demands of different sections of the Empire have made this difficult, and numerous makeshifts have been attempted.

Owing to a system of roads which through government control and position had a natural decentralizing effect on traffic the financiers of Austria adopted the "Zone" system of rate making, the natural mode of centralizing traffic, and have wondered why it has not been successful.

They appear to have overlooked the fact that their "Zone system" as developed on their railroads is about as

practical as an attempt would be to make water run up hill. It can be done in a small way but it is expensive.

The Zone system of Austria was heralded as the true solution of traffic control, through government direction, and I am not prepared to say but what it is the only reasonable way that government can do such business, but it does not work successfully in Austria and would be destructive in the United States.

It ought to work in France where the interest of Paris overshadows that of every other city, and it is centering half of all the population of Australia in a few favored cities, but it is not true political economy in any country.

"The Zone System" is practical to a certain extent for passenger rates, but strictly adhered to, destroys the flow of freight necessary to create a volume of traffic. It only covers one feature of successful rate making without considering the importance of "routing" great volumes of freight. While it recognizes the necessity of reducing tariff, as distance progresses, it fails to create the necessary constructive centers from which volumes of traffic could be gathered. The Zone system for freight traffic is nothing but a name in Austria today. The limits of zones have been shifted repeatedly and at present the first five zones are 6 2-10, 3 1-10, 3 1-10, 4 5-10 and 8 1-10 miles respectively, while the other two zones cover the balance of the country, distance being disregarded beyond the 250 mile limit.

It can be seen that the first five zones only cover 25 miles, and while practical in the regulation of suburban passenger travel, are ridiculous when considered in freight transportation.

Because of lack of revenues the zone rates were increased in 1892, 1895 and in 1903 and the last advance amounted to 12 per cent on primary, 6 per cent on secondary and 3 per cent on local railways, showing that in floundering around in an effort to make profit, this last change was reversing the true principal of scientific traffic control. A government rate per mile is found impractical and this government zone rate, the only other way government could make a rate and be fair to all the sections of country, is here found destructive.

No section of the world suffers so much from government ownership and control of railroad transportation as

eastern and central Europe. It is a grain growing country, its mountains are filled with mineral deposits and covered with great forests, the Carpathian oil fields are productive and nature has placed in Austria as diversified a line of products as are found in our central states. From the Black Sea through Austria-Hungary and Germany, private capital if not interfered with by government control, would have constructed at least three lines of railroad, which would have equaled our trunk line systems and they would have created business centers in Roumania, Hungary, Austria and Germany and opened up business possibilities in Central Europe to such an extent that the millions of people whose whole object in life is at present, to get enough money to get away from the poverty stricken country, would ridicule a man who would suggest a change.

Natural routes exist for trans-continental railroads in Europe more easy to overcome in railway construction than were found in the United States. Not a foot of the way is desert or unproductive country and the tonnage now loaded into cars and shipped to river stations, transferred to boats or barges, towed down the rivers to the sea, transferred to steamers which "box the compass" by starting east to the golden horn and going clear around the continent of Europe and ending with their prows heading east again through the straits of Dover, after a trip of 4,500 miles; would cross the country, and make a profit at rates 30 per cent less than are paid at present.

The volume of traffic is already there without the increased business natural to the opening up of new country. The rivers of Hungary have a density of tonnage equal to 436,000 tons per mile and the upper Danube of 335,000 tons, while the coal and timber of Bohemia would make a business of itself.

Two trans-continental lines could each secure a traffic amounting to at least 375,000 tons per mile (about equal to our western tonnage) from business already developed, and under private control of the rate making power this could be doubled in four years' time.

It would, however raise "hob" with the canal systems of Austria and Germany. It would interfere with the gov-

ernment subsidized lines of steamers on the Danube. It would bring Odessa within a two days' trip of London, and cause a commercial change of the map of Europe. It would wake up the dreary places where at present several million people only hope to "exist" till their time shall come.

This change in method of transportation would save on the shipment of grain, oil, lumber and coal all the cost of the initial shipment to the river; it would save from 10 to 15 per cent of the value to the original producer, and would create wealth where now is poverty.

But, with several governments controlling the transportation lines, and dictating cost of service, and the several states within the governments themselves, demanding recognition of their geographical control of markets; nothing can be done.

Germany might acquire Austria (a not improbable thing) and still the sectional jealousies which the government must recognize (and does at the present time in Germany) would prevent a comprehensive railroad development.

Prior to 1879 Austrian Statesmen dreamed of a trans-continental trade passing through their nation, but when Prussia adopted the system of localizing traffic on her railroads all hope of such a trade was abandoned.

Today the Prussian railroads promulgate a "Lavant tariff" from her interior cities to the western coast of the empire on exports destined for Turkey and the Black Sea country, nearly half what the regular rate would be, with the deliberate intention of not allowing traffic to pass through Austria.

Austria uses her railroad tariff as a protection against Germany's manufactures, Hungary against Austria and it all ends in the producer losing a profit which would make him independent were it not for the government interfering with transportation business.

In Austria-Hungary in addition to this sad loss the taxpayer who never uses the railroads, unconsciously assists in paying the freight for those who do, because of paying tax to cover up a treasury deficiency.

The effects of government regulation of freight rates in central Europe should cause all of those people of the Central and Western states to consider well whether it is

to their interest for the government to enforce an "equalized" tariff, if you please, on traffic, or whether it is not better to allow the private competition as between our transportation lines to make trade no matter what the distance.

It shows that a rate which is fair, one locality with another, is still unfair to the people as a whole.

It shows that a rate control under any form of tariff promulgated also works injury if inflexible, and all forms of government control of necessity must recognize the rights of localities.

The absolute destruction of the so-called rights of locality in the United States has created out of our nation a "homogeneous whole," and it should not be changed.

CHAPTER XXII.

RUSSIAN RAILROADS.

There are economic conditions in Russia and the United States which make a comparison between the two countries of much value.

Russia presents an example where government attempts to do business, and the United States the result of private incentive not hampered by government control.

Seventy years ago each of these countries presented about the same chances for economic development as the other. Vast stretches of undeveloped country extended backward from settlements near water transportation, that only waited the advent of cheap land transportation to become prosperous and active communities.

Private capital operated in the United States and we see as the result, a net-work of railroads binding our country together, operated so cheaply as to nearly eliminate distance from calculation of transportation and equalizing values of all commodities over three thousand miles of territory. We have constructed and have in operation six times as many miles of railway as Russia (seven times the amount of Russia in Europe) and operate nearly the whole system at a profit, paying taxes to the states and communities amounting to about \$65,000,000 and giving the cheapest railroad service to the people of any railroads in the world.

In Russia with practically the same natural resources, through the direct result of the government's attempt to do business or regulate rates the following results have been attained.

Russia and Finland in Europe have but 33,093 miles of road and when the Siberian lines are counted still less than 40,000 miles while the United States has over 220,000 miles in operation.

The 18,559 miles of railroad the Russian Government

owns in Europe and the Siberian lines in times of peace lost \$30,900,000 over cost of operation with no payment of interest or taxes to communities. The loss for the past two years cannot be calculated as the Siberian system was merely a military adjunct.

As the government owns the majority of railroads in Russian Europe a good portion of which are military necessities, it prevents private capital from entering the transportation field. It would be suicidal to build a railroad line in competition with a government owned road and at the same time have a governmental control over rates, because private parties would necessarily be obliged to meet a competition which if forced into a loss, the government could saddle on the public treasury, while the private owners would lose their own money.

Under these conditons the railroads of Russia while costing an average of \$85,000 per mile with vast fields of virgin territory to draw from, only carried 151,876,000 tons of freight in 1903 (about as much as the Pennsylvania Railroad system alone) at an apparent cost of 0.87 cents per ton per mile, but when the loss in operation charged to the public treasury is added, it figures 0.99 cents per ton per mile in comparison with the average of 0.76 in the United States

The great distance and extreme length of haul of traffic the same as in the United States, demand that a low rate per unit be made to accomodate even a fair amount of business.

In Russia the political control of rate making prevents the creation of great volumes of traffic necessary to make low rates profitable because of the jealousies of sections, as in Germany.

Mr. Witte several times has attempted to introduce rate systems which would counteract the great distance to Siberia and Central Russia but the land owners of the most favored portion of the Empire, protest that the government has no right to offset their geographical advantage by reducing rates on government roads supported by the tax payers.

This argument has been a potent factor in destroying any coherent rate system in Germany where the roads are profitable and it is a conclusive one in Russia where the roads are a load on the taxpayers.

Even an absolute monarchy hesitates to tax the land owners of central Russia with a view of creating lines of competition which the land owners fear would naturally reduce the value of their own farms; but without the low rates the volume of traffic never can be built up. Private ownership and control of rates would have paid no attention to such protests. If they saw a profit in the business to be transported the local sections would not be considered: if the intermediate farmers could not compete with the Siberian wheat growers they would start raising something else as has been the case in the United States.

If government had controlled freight charges in the United States it would have met this same form of protest, and the Mississippi River would sever our transportation system more completely than is done by the Volga in Russia. The center of the wheat growing district would still be in Ohio or Indiana instead of the far northwest.

A government in its regulation of rates is obliged to consider distance as the material factor; political justice requires it; but business conditions demand that other things be done when necessary even though a change of products be wrought in certain localities.

Private enterprise owning the railroads of Russia with the government attending to its own business and not interfering with rates, would long ere this have developed great industrial centers in Central Russia, and the farms of Siberia would have become the source of bread supply for all of eastern Europe.

As a lesson in Political economy, the central provinces of Russia and the central states of the Union are examples of two antipodal systems. Through the government regulation of rates, and the necessity of those rates recognizing political factions (a logical sequence following public control or regulation) the producers of Central Russia have retained for those provinces their advantage in regard to sales of farm products and as a result they remain agrarian communities. In the United States the aggressive competition of private capital carried the transportation of coarse grain across Ohio, Indiana and Illinois and the farmers of those states by change of crops and supplying the wants of the great industrial centers, are the richest in the world. This

condition would have been fought by these three states, if our government had assumed to control rates over railroads forty years ago, with the same arguments that have been used in Russia; but results show that if a nation progresses materially, all her people receive a reflex benefit thereby, and the principal thing which has made Ohio, Indiana, Illinois and Pennsylvania great, is the fact that logical free competition in grain raising forced them to other channels of trade and opened up great grain growing centers in the west, which now assist those states more than they could have assisted themselves.

The Czar of Russia is its principal land owner and naturally has constituted railroads with a view of improving his own property, and as a military necessity; so that the yearly loss from operation of the roads while a burden on the public treasury is a benefit personally to the crown.

While this is one of the reasons for Russia's loss from railroad operations, the main reason is from the fact that the low rates necessary to create a paying volume of traffic cannot be made by the government, because of this sectional political antagonism developed in the nation itself.

In Russia, the same as in Austria, Germany and France the very fact of rate regulation being a province of government prevents low rates and cheap transportation, because government must recognize the protest of section against section, and instead of an effort to create cheap transportation the principal duty of government is to equalize rates to suit sections instead of attempting to perform the more important function.

In Russia, as in all countries where government controls the rate making power, the whole people are prevented from receiving the benefit of a greater unit value per bushel of wheat or other produce caused by a general reduction of tariff, which can only be made possible through great volume of traffic, because of the political influences connected with the strife of one section against the other.

At this late day if the United States changes her policy and adopts that of Russia, the conflict of opinion as to what a "reasonable" rate should be, will soon be made a political factor and its effect on rates would be to advance and not reduce the tariffs charged.

It is useless to say the great Western States would feel it first, but the changes demanded would soon extend to our mining products and manufacturing interests, with the effect of localizing our traffic and increasing cost of transportation to the people.

There may be theorists who believe that the government can control rates without political complication, but this example in Russia where an Autocratic Ruler is forced to recognize political jealousies in using this power, and when the same condition is found in Switzerland, Australia and New Zealand, it should be conclusive that no form of government can successfully dictate a tariff on transportation lines and really benefit the business of the whole country.

In the United States we will be more subject to political influence with such a power than under a socialistic or imperial government, and it will not take long for sectional jealousies to force government into positions which will be very expensive to our business interests.

CHAPTER XXIII.

RAILROADS OF ITALY, SWITZERLAND, ETC.

In the smaller European nations there are 41,691 miles of railroad and in all of them except Spain and Greece the government either owns the roads or controls the rate making power.

The condition of control varies from full government ownership and operation down to the control exercised by most forms of monarchical government through the Executive Department, i. e., the enforcement of a maximum rate.

In Spain and Greece the private ownership of railroad property is recognized and protected by the government.

The nations which assume to control, or which own railroad property, generally use them as an adjunct to the administration, and to extend political control of legislation and as an aid to the governmental control of the people.

The railroads of the smaller nations of Europe with any considerable mileage are distributed as follows:

	Miles	Owned by Government	Private Owned
Italy.....	9,966	9,966	
Spain.....	8,606		8,606
Sweden.....	7,697	2,416	5,281
Norway.....	1,456	1,316	140
Belgium.....	4,237	3,907	330
Denmark.....	1,963	1,112	851
Netherlands.....	1,771	971	800
Portugal.....	1,487	525	962
Bulgaria.....	921	729	192
Greece.....	643		643
Servia.....	369	355	14
Switzerland.....	2,575	2,575	
	41,691	23,872	17,819

(Details from Roumania and Turkey not obtainable.)

The railroad situation in Italy is a travesty on business methods.

From the inception up to the present time their operation and control has been a financial nightmare.

Originally constructed as competing ventures by the several states with each state assuming a different kind of control (usually an attempt to localize traffic within each state), the whole policy and intent of the roads was diverted upon the nationalization of Italy. These semi-antagonistic systems were then connected through the use of government funds, and to appearances Italy has a complete system of railroads encircling the kingdom.

When the roads were nationalized the government recognized the demands of the several states to a more or less extent and in the tariffs promulgated continued the process of decentralizing traffic and as a result the system is merely a lot of local lines with very little business.

For years the government of Italy has been trying to "do something" with its railroads. First leasing them to private companies with a guarantee of earnings and losing money through this guarantee, they tired of the bargain and attempted to operate the roads by government employees. This, however did not stop the drain on the treasury and gave poorer service than the leasing companies had given. The political quiet which Italy had commenced to feel twenty years ago, induced three strong private companies to attempt the operation of the roads under a new lease. The contract was for sixty years with a privilege of either party giving notice for a change at a twenty year period. The first twenty year period expired in 1905 and an extraordinary condition is developed by both the companies and the government giving notice that a change is desired. The government, because it still loses \$2,000,000.00 per year through its ownership of the property and the companies because they work hard and receive no profit.

The private companies now offer approximately \$75,000 per mile for the roads, and the government, although it would mean a loss of several hundred millions is considering the proposition.

If the government would sell the roads to private parties and allow business conditions to govern the rate making

power instead of political considerations the railroads of Italy would be made to pay.

As it is today the government loses money and the roads themselves look fully as bad as the operating companies feel. In 1878 the Italian government made the most extensive investigation in regard to the operation of railroads ever attempted, and ever since that time Italy has adopted the policy of trying in some way to induce private capital to take charge of her railroad system.

The lowest yearly average charge per ton per mile on freight was 1.58 cents in 1899 but it has since ranged from about 1.60 to 1.64 as against the average rate in the United States of 0.76 cents, and with a government regulation of rates Italy cannot expect a lower service as the nation only furnished 21,978,033 tons of freight for her railroads to carry in 1903.

I have not been able to get the details of operation on Spanish railroads, but I have no doubt their rate on freight is much higher than in the United States, because the roads are poor and this can hardly fail to oblige a high tariff.

Such is the history of railroads all over the world.

The geographical conditions in Sweden prevent any concentration of traffic which would warrant cheap service but the average charge of 1.70 to 1.73 per ton per mile charged in that country, could be materially reduced if the government would keep its "hands off" business affairs. About the only remarkable thing to be mentioned is the fact that the government roads of Sweden cost \$44,048.00 per mile while the private companies have only paid \$22,400.00 per mile.

In all of the smaller kingdoms of Europe except Belgium and Denmark the average charge per ton per mile is approximately 1.70 cents.

Belgium carries passengers cheaper than any other nation in the world except Japan. Her average charge of 0.77 cents per mile is but another proof of the necessity of volume of traffic as an adjunct to cheap transportation. While her system of narrow guage feeders to trunk lines of broader gauge, concentrates traffic along definite lines, the fact that Belgium is the most thickly settled country in the world is the principal reason why cheap passenger service is furnished.

Belgium has 587 residents per square mile, while Ohio has 105 and the United States but 26, Europe excluding Russia 169, and it can be seen that there are twenty-two times as many people to pay revenue as in the United States.

The charge for freight in Belgium is 1.20 cents per ton per mile, and the railroads of Belgium are profitable because in handling freight this concentration from local lines which I have mentioned assists in giving volume along definite lines but still it can be seen that her freight rates are 56 per cent higher than in the United States.

The railroads of Belgium through a bond manipulation represent a value of \$167,898.00 per mile and thus pay interest on over three times as much money as we do in the United States, but as it is the King's business, there is no talk of watered stock over there.

The only other nation in Europe worth considering is the socialist republic of Switzerland, and I have placed this country at the bottom of the list in European comparisons, because I want the comparison to run on from this attempt at socialism to those other semi-socialistic attempts in Australasia (Australia and New Zealand).

We have gone over the record of government control through the natural power of monarchy which over-rides law, legislation and business conditions by executive force and find that this power over business conditions is not for the best interests of the people.

Remember that France is now sailing under the name of a Republic but following the principals of government business regulation, through precedents established by an Empire.

Switzerland is a Republic in name but a socialistic despotism in fact. So much has been said of the beauties of government in Switzerland that it would fill a book to combat the theory of government presented.

I only want to show here that a control by the "people," if you please, of great business ventures does not furnish as cheap or comprehensive service as would be brought about by personal incentive and business competition.

The purchase of the railroads of Switzerland by government is of such recent date that definite figures cannot be given regarding results of operation, but the rates have not

been changed, and as the receipts from operation were accepted as a basis of value, it is proper to continue the comparisons.

These twenty-two states comprising the Swiss Republic are of very limited extent, there are several counties in California, Colorado and Texas, each with a larger acreage than the whole republic, and the 2,575 miles of railroad now constructed about completes any system that could be planned. These railroads were constructed with a provision in their charter that the state could buy at a set term of years. Following the ideas of socialist ownership the state decided in 1897 to purchase the roads, and the final close of the transaction culminates in 1909.

The provisions governing the purchase were a practical capitalization of net earnings at 4 per cent and payment to be made on that basis if it was not less than the cost of the railroad construction.

An average of ten years operation was taken, and a payment equaling twenty four times the yearly earnings thus determined was the price to be paid. The Swiss railroads were capitalized for \$106,759.00 per mile and the purchase price will increase this sum slightly.

If the people would approach railroad investors in the United States and offer a price for our railroads, based on the last five years operation, I do not believe there are a dozen railroads in the country but that would gladly sell to the government on the Swiss conditions, but the people would stand to lose \$7,000,000,000 in case of panic or successive crop failures and would increase their taxation to a point near confiscation.

The Swiss roads have been charging an average of two cents per ton per mile for freight carried, and their service is ridiculous when compared with American methods, and the wages paid to railroad men would not induce a section hand on one of our railroads to take the position of Engineer or Conductor in Switzerland.

It is evident that the socialistic idea in Switzerland was to take over the railroads with a view of making them pay a profit to the state even though the purchase price was high.

Their principal travel is from tourists and their idea is to have the republic live off "outside capital" as we in the west say.

They do not expect to grow; they cover all the ground there is with the present population, they do not expect more railroads to be built, and it is not supposed that the interest of business men in Switzerland are considered in making rates at all.

The ownership after completion means the certain end of all competition in transportation. The roads if they pay well will help out the resources of the state, and if they lose the people will make it up by taxation. In these little states such a trade might do, especially when the game is to "beat the tourist," but it could only help the people by imposing on the outside public. Switzerland in this transaction only follows the footsteps of Empire.

She adopted Germany's method of purchase and uses her railroads for profit. Germany uses her railroads as a rebater on Exports and a protective tariff against imports, while Switzerland "pulls the leg" of the traveling public as its main source of revenue.

The Swiss ownership of her railroad system is still an experiment although I cannot see but that it will end in success along the lines I have described, but such an ownership and control in the United States or any growing country would end in complete failure.

The examples I give in succeeding chapters will show partial results in other semi-socialistic countries, and prove that about as unsatisfactory conditions are brought about through ownership of transportation lines by the people, as could be developed by the most grasping "trust."

The railroads of Switzerland are now in truth a trust with no possible way of their customers getting around whatever charge is imposed.

In every country of Europe the producer of wealth does not receive the benefits of cheap transportation of products. Government makes a low passenger rate and proudly points to the fact, while through their system of control, each ton of grain, iron, coal and merchandise pays a toll higher than the passenger per unit. There are two tons of freight carried a mile to one passenger even in crowded Europe while in the United States there are over 8 tons of freight for each passenger carried.

This comparison of passenger fares deceives the public.

It is true we pay an average of $\frac{1}{2}$ cent a mile more for passenger travel in the United States than is paid in Europe and twice as much as is paid in New Zealand, but we get better service and far better accommodations than in these other countries, and the farmer, the miner, the lumberman and the business man is allowed to receive the benefit of a 50 per cent reduction in freight (on an average of 8 tons per passenger carried) on the products sold and marketed.

It is this per centage which has made this nation the richest in the world. It has enabled the farmer of the west to market his crop in the industrial centers of Europe and through the profit per unit brought about by private competition in transportation in the United States he makes money; while the farmer of Russia, Roumania, Servia, Austria and Eastern Germany ekes out a miserable existence, or comes to the United States to better his condition.

The prime reason for this hardship to the producer is the fact that those governments interfere with enlightened control of business methods.

Their attempt to do, what now appears to be the desire of many that our own government should do, is the direct cause of the poverty of their people.

The only thing that government control appears to succeed in doing is to prevent one locality from interfering with another's market.

I feel that the elimination of distance on the part of our railroads, and the creating of a homogeneous whole out of the United States, instead of sectional divisions, is the prime reason for our prosperity; and that any "regulation" by government which would dictate price of service is destructive.

CHAPTER XXIV.

AUSTRALIAN AND NEW ZEALAND RAILWAYS.

The ultimate results obtained through a control of business affairs by an Autocratic, Paternal or Socialistic government, are the same, only the socialistic control is the more weak and vacillating.

The Socialist government now controlling Switzerland follows in the exact footsteps of the German Empire, in regulating, owning and operating her lines of transportation. They adopted practically the same form of purchase, and use the railroads in the same way.

Fortunately for both countries, their small territory had been fairly well supplied with lines of railroad before government purchase, as it can be seen that the form of control exerted by either nation prevents all competition, and that the railroads are used as a form of tax on business for the benefit of the state.

They charge two or three times as much for freight service as is charged in the United States and it is evident that competition here, between private owned roads, results in cheaper service than under any form of state control even when the government owns the roads.

Australia and New Zealand present another form of government. They have a peculiar mixture of Socialism and Empire, and are cited with a view of showing the parallel lines of thought between the two ideas of government.

Australasia presents examples of Monarchial representative government controlled by paternal socialism.

In their control, regulation and ownership of railroads these countries retain the executive powers inherited from Imperial England, which now are controlled or intimidated by a democratic mob.

This is a fair sample of what we are trying to achieve in the

United States today. We want to place the controlling power in the Executive Department, and it is the hope of socialism to be able hereafter to control the executive. Australia could be used as the "horrible example" resulting from such a combination.

When the states of Australia entered into the operation of railroads, they attempted to inaugurate a control that would benefit the commonwealth.

Parliament and the government induced able transportation men to come to Australia and operate the government controlled lines.

Offering good pay and an assurance of support, several of the most successful managers of railroad property in England attempted to operate these public owned roads in Australia.

Not one of the able managers imported for this service who attempted to operate the railroads along business lines, with a view of making them productive, was supported by the Parliament.

Politics soon centered the fire of criticism on these conscientious men and Spreight and Eddy died of broken hearts and Smith and Mathieson resigned and returned to England.

They found that it was a different thing to operate railroads owned by private parties and roads owned by the people.

They found that all discipline was destroyed through political "pull" and all chance of profit prevented by sectional jealousy.

They found that this semi-socialist form of government created many masters, each one more impractical than the other. The result is that in Australia or New Zealand only the most ordinary talent can be used; the managers must be so commonplace as to be oblivious to criticism, or so lacking in pride as to accept the dictation of ignorant legislators and labor agitators without protest. Controlling factions in Parliament prevent discharge of incompetents, and the result is naturally a railroad commission which serves for the pay, instead of for reputation or glory.

The financial result is a loss in the operation of these railroads. In Australia the interests of the different states, each one of which desires to centralize the business of their tributary territory at their own commercial center, prevents

a comprehensive system of transportation. This jealousy goes so far that the gauge of the roads differs in the different states. Each state is attempting to develop trade with its controlling seaport, and as this attempt necessarily must recognize the political influences controlling the Parliament, all true business features governing transportation are set at naught.

The rates are made per mile on the principle of the "Zone system," and as no "constructive centers" or basing points have been established, the result is a complete destruction of all "interior" business points or trade centers. As an instance when the Victorian Railroad terminated at Ballarat a great distributing point was established there, but when the roads were extended farther, the adding of two "Zone rates" together destroyed the trade of Ballarat and the enterprising merchants or manufacturers established there, moved to Melbourne, or lost their trade.

The result is that the great seaports of Australia have destroyed competition and by a control of over 50 per cent of the legislators they make all of the interior country agrarian adjuncts to their interests.

No manufacturers in the interior can compete with the products of the sea coast cities and this is the direct result of government control of rates guided by political pull in parliament.

The rivalry of the states is the only cause of competition in transportation and at times it goes so far as to make a state lose money by railroad operation, for the purpose of securing trade for a certain locality.

The Victorian government openly asserted that they would rather lose money in hauling the wool from the Riverina trade than have Melbourne lose the benefit derived from handling the product. This is socialism in its best form, but it is evident that the majority rules with an iron hand and even loses the money of the people, if perchance it helps the leaders of the governing faction.

Having destroyed the railroad system for all of the greater purposes of trade, and distributed traffic to an extent which prevents a fair rate from paying the transportation lines, the result is that the average rate per ton per mile in

Australia is 2.08 cents while in the United States it is 0.76. The average rate on grain is 0.98 cents per ton per mile while in the United States it is 0.51.

This scattering of traffic prevents any heavy movement of freight between definite centers of trade, and the average train load in Australia is but 74 tons (about three American carloads) and with tariffs two to three times as high as those charged in this country the roads fail to pay interest on their cost even though that interest is figured at but 3 66-100 per cent. The taxpayers are each year called upon to pay a deficiency, or the capital of the road is increased without additional mileage to make up the loss.

As an example of the extent to which this "covering up" of mismanagement goes, it is only necessary to quote that in New South Wales, one of the Australian States, her 3,280 miles of road probably worth \$45,000 per mile now is bonded for 43,062,550 pounds or about \$65,000 per mile.

Last year \$3,670,165 capital was issued with no increase of mileage whatever.

Even with this cheat in bookkeeping to cover up the real deficiency an acknowledged shortage of \$135,000 is admitted in the payment of interest.

In the five most populous provinces of Australia (Western Australia not included) the increase of railroad capitalization last year amounted to \$8,133,335 with but 71 miles of new road constructed. Thirteen miles of this increase was standard and fifty eight narrow gauge, the latter not being worth over \$35,000 per mile.

The government report on railroad operation in Australia is a distortion of facts so remarkable as to impress one with the idea that these ignorant men, either did not know what their own figures meant or that they were attempting to deceive the people, or the investors.

They report a net earning of \$22,049,715 on an investment of \$617,292,440 the interest charge on which amounts to over \$22,600,000.

This is made to appear as though the roads were carrying themselves when in fact they issued \$8,133,335 more bonds with but 71 miles increase of trackage worth at the highest calculation but \$2,680,000, so that \$5,453,335 is clearly to be deducted from net earnings reported.

This leaves them but \$16,596,380 with which to pay \$22,600,000 interest and not a cent of tax is paid by the railroads.

If this natural charge to all private owned property is considered and figured on the basis of the average charge in the United States (i. e. 3 per cent of gross earnings) another deduction of \$1,529,188 should be made from the net earnings. If this is done it shows that the taxpayers lost over \$7,500,000 either in cash, increased indebtedness or failure to collect taxes, by railroad operation in 1905, the most prosperous year in their existence.

An investigation of the reports of operation in the different states, if taxes are considered, will show that in New South Wales the railroads paid but $1\frac{1}{2}$ per cent, Queensland but .08 per cent and in Tasmania .07 per cent and the Commonwealth made up the difference by taxation.

Some socialist writers publish these garbled reports and talk of the good showing made, but fail to show that the poor farmers of that country pay from two to three times the freight charged in the United States.

With all the advertisement Australia has received during the past twenty years only two inland cities (Ballarat and Bendigo) have advanced to over 40,000 population.

I have explained how Ballarat has lost her trade through the extension of roads beyond that city and as the result of a government rate, and Bendigo is in the same class.

It is possible to travel from Brisbane, the capital of Queensland, via Sidney and Melbourne to Adelaide in South Australia, a distance of 1500 miles; but it is improbable that freight would be transported over that route, because the different states would impose a charge so high and the transfers would be so expensive that Australia does not produce anything with enough value to afford to pay the freight.

Improvements cannot be made because if \$4,000,000 would be required to fix up the railroads as much more would be required to assist the other interests supported by the government.

On one of their most important lines a "switchback" is used, the operation of which imposes on the traffic a charge amounting to over five millions of dollars per year, which could be saved by digging a tunnel at a cost of \$2,500,000

but the "people" don't see the importance, and as the freight pays the charge, do not care to assume the necessary expense. Australia has constructed 11,973 miles of railroad, and they are merely adjuncts to seaport towns with no idea of upbuilding great interior centers of trade, and thus establishing home markets for the agrarian population.

Private ownership would have created trade centers, if the government had left the roads alone; and while protests of one section against another would naturally have been heard, the strife for business would have resulted in great wealth for the country.

Australia has been "held back" by the political control of transportation, and progressive men have found other fields for investment of capital. The natural resources are there, but the incentive for development is lacking. The construction of but 71 miles of railroad in all Australia in 1905 is conclusive proof of "dry rot" in business.

New Zealand is more fortunate in her political control from the fact that conservative men have chanced to represent her in Parliament. In Australia the Agitator has at times changed all the plans of government; but in New Zealand the policy has run along without much alteration.

New Zealand, if anything, is more socialistic than Australia and if success could be attained by that heresy it might be developed there.

This colony owns and operates about 2170 miles of railroad. They cost about \$45,000 per mile to construct but the capital stock account is increasing in the same way as in Australia only in a more conservative manner.

As long as these colonies can borrow money easily they can carry their loss in operation forward to the future.

New Zealand has increased her mileage about 10 per cent during the past five years but the railroad capital account has increased 26 per cent.

In New Zealand the rage for "cheap things" has forced the railroad commissioners to make a ridiculously low rate of fare for passengers, and this apparently blinds the people to the fact that their business interests are made to suffer in return. While passenger fares are less than in the United States, the average rate per ton per mile on freight amounts to 1.97 cents while in the United States the average rate is

but 0.76. In this mecca for socialists where wages are from one third to one half what is paid in the United States, the freight rates while three times as high as in this country, cannot be lowered without disaster to the state.

The interests of different communities have to be considered, and the roads are so constructed that it is impossible for them to secure tonnage enough to make a low rate per unit.

In the North Island, only a little more than one half the size of Kansas, the system of roads run southward from the town of Auckland and terminate in the woods. While those from Wellington run north and end "no place" and local jealousies keep the two systems from connecting; to pass from the two principal sea ports on this comparatively little island a trip of eighty miles by stage would be necessary if it was desired to go by land. The Southern Island has a more connected system and private owners could make this a profitable piece of property and carry freight at about one half the government charges, if left alone in the naming of rates.

It would disturb the sea coast trade however, and build up two other cities, as distributing centers which are now merely filling the duties of country towns.

The localizing of the railroad traffic assists in maintaining socialistic communities in New Zealand, and as the settlers of that country are not of a very aggressive mind they do not know that they stand in the way of their country's progress.

The government control, however, prevents a profit in railroad operation and gives expensive and poor service to the business interests.

This reflects directly on the value of everything the producer sells as each cent reduction in unit charges on railroad traffic, places that cent within the reach of the producer. The control of railroads in Australia and New Zealand shows that the thing can be done, but that it is very poorly done, and at a loss to the people.

These poverty stricken countries have nearly three hundred million dollars more interest-bearing debt than the United States; their per capita indebtedness runs from \$336.00 in New Zealand to \$380.00 in Queensland while in the United States it is \$11.83.

Australasia each year shows a deficit in the revenue,

and with a population of a little over 4,000,000 people they pay over \$40,000,000 in interest each year.

New Zealand is a cheap country for everything except transportation of freight and a study of their economic condition impresses me with the fact that no greater punishment could be given socialistic agitators than to send them to New Zealand.

These agitators may think it freedom, but I think it slavery to be obliged to shut up your shop at a certain time, to be prevented from working in your own garden but certain hours of the day and be fined if you work for yourself on Sunday. A shiftless man who merely cares to exist might like such a place, but an ambitious man would soon go crazy.

I have a newspaper friend formerly in Denver who had read of socialism until he had "bats in his belfry" and sold out his business and tried New Zealand. He is in San Francisco now and if you suggest socialism to him he takes it as an insult.

I have said that the only thing which is high in that country is railroad freight rates, but overlooked the fact that taxes and rents are beyond reason. The great debt obliges heavy taxation and it is reflected in the rent of property. The laboring man in New Zealand pays from 25 per cent to 33 per cent of his wages for rent, and his existence is as near a form of slavery as could be obtained without being bought and sold under the hammer.

His slavery is to the state, and while the state does see that he gets poorly paid work to do, nevertheless he must work. With 860,000 population the savings bank increase of deposits only amounts to \$21,000,000 for the whole term of ten years just passed. The socialism of New Zealand now tends to keep immigrants away, because the present residents want all. They are willing to divide with themselves but not with the rest of the world and the different sections of New Zealand do not care to divide with each other.

Socialistic control of railroads in Australia but proves that it is a failure, and the results in countries trying the experiment, whether in crowded Switzerland or the undeveloped island continent of Australia, go to show that private ownership of railroad property with unhampered competition, produces better results in transportation and cheaper service, than where the "people" own or control the roads themselves.

CHAPTER XXV.

RAILROADS IN INDIA, AFRICA, PHILLIPPINES AND JAPAN.

The railway system of British India has more mileage (25,930) than the United Kingdom itself (22,600) and the control of rates by the government through partaking in the promulgation of definite tariffs is much more absolute.

The maximum rate made by the Board of Trade in England is so high that the roads never feel its force, while in India the State owns and operates many of the railways, and the railway commission by making definite rates on the state roads, naturally dictates what the rate shall be from all competitive points.

The competition of the seaports Howrah (Calcutta), Bombay and Kurrachee for the wheat business of the upper Ganges country has unconsciously created a constructive traffic center or "basing point" in the Delhi district, 900 miles in the interior, and the accumulation of traffic, and centering of the same over definite lines, with a long haul has enabled Indian railways to carry freight cheaper than any government controlled railroads in the world.

Delhi, the grain center of India is practically the same distance from the seaboard as Chicago and has four lines of railroad reaching the coast, at three different ports. The East Indian carries the grain 954 miles easterly to Howrah (Calcutta), the North Western 907 miles westerly to Kurrachee, the Bombay Baroda and Central 888 miles and the Great Indian Peninsular 981 miles southward to Bombay. The government having an interest in some of the roads forces the same rate to each of these seaports regardless of the distance. The rates are pooled and inflexible and a rate which would equal $21\frac{3}{4}$ cents per 100 lbs. of grain has been maintained from Delhi to the coast for practically fifteen years.

It can be seen that the only competition encountered is

between the ports themselves and the Steamer lines connected therewith; the railways through a pool, not being allowed to assist themselves or their customers.

In fair years the private owned railroads in India pay as much interest as the roads of the United States, and the average rate per ton per mile is 5.68 pies per 2240 lbs. equaling 0.85 cents in the U. S. currency per ton as against our rate of 0.76 cents.

The low rates of freight in India have been brought about, strange as it may appear, by the competition of American roads. If the wheat of Central India was to compete with the American product the makers of railroad rates had to recognize this competition, and India presents a rather unique position in tariff manipulation, by making a tariff on coal 20 per cent higher than on grain through this action.

While the Indian railroads charge but an average of .45 cents per ton per mile for grain, the greatest coal carrying road the East Indian, with a bituminuous coal tonnage amounting to over 5,000,000 tons, charges an average of .54 cents per ton per mile on this class of freight, a rate higher than the Lake Shore R. R.'s average charge on all traffic.

In the United States our coal carrying railroads average but little over .33 $\frac{1}{4}$ cents per ton per mile on this class of freight, so that the low average rate of India can be directly traced to American competition.

When the financial transactions connected with the operation of Indian railroads are compared with American roads, the low average price charged in India is not impressive. In the United States 66 3-10 per cent of the gross earnings including taxes are expended in operation of the roads and two thirds of this amount is paid in wages to employes, while in India but 49 24-100 per cent is paid for operation.

When the American laborer knows that the average rate of pay for a native Engineer in India is \$13.33 per month, the Firemen \$5.00, the Conductor \$16.00, the Brakemen \$6.16 and that the trackmen receive the munificent sum of \$2.00 per month, he should be justified in showing anger at a comparison between our railroads and those of India. I apologize for so doing.

The cheap operation is caused by the low scale of wages entirely. Coal is cheaper in India than in the United

States before freight is added, because of the same cheap labor, and all railroad supplies are cheaper than in the United States, and any American should feel ashamed to advocate Indian methods of operation of railroads in comparison with those of the United States.

The throttling of all competition through government control of rates, has in India as in all countries where the attempt of government control has been made, prevented that natural improvement in service or equipment accompanying private control and competition.

The first class passenger fare in India averages 2.14 cents per mile and they have a third class fare of 0.38 cents per mile; but if the average American was led up to one of these third class cars and offered a free ride he would look at the \$13.33 Engineer, and the \$6.16 Brakemen, and size up his partners in the journey and decide to walk or "dig up" a first class fare.

With all this advantage (if it is an advantage) in wages paid, the Railroad Commission in India recommends that the State owned roads be leased to companies to operate. While the average railroad net earnings in India have equaled those of the United States at times, the state owned roads have averaged \$2,290,000 per year less than the required amount to pay interest.

To any student of Political Economy this difference in results is easily explained, because government in business is expensive or a failure, and this example is but one of a thousand which could be named. There are times when it is well for a government to assist in the construction of railway lines. The control of territory and military necessities present emergencies in which an expenditure of government money serves to entrench commercial or military positions, but there is not a single instance in which government control of the business handling of a railroad has helped the people. The United States and several states have assisted railroad construction and there is no instance in which this assistance has not benefited part of the people, and the sale of these interests to private companies has been a benefit to the nation, because it withdrew government influence from business affairs. The results in this country confirm the wisdom of such a policy, and no comparison can be made to disprove this position.

England's investment of \$47,500 per mile in the Uganda Railway is warranted as a commercial and military connection between Egypt and her vast possessions in southern Africa, and the great losses yearly made in its operation can partly be made up by sale of land and increase of value of territory acquired, but after its construction, it would be foolish to attempt a government operation of such a line, if a company of private citizens could be found to operate it.

Its present average gross earnings of \$780 per mile gives promise of future value but it never can be made to pay by government officials.

The German investment in African Railroads is a practical loss unless the government turns them over to private parties. While the last reports only give the loss as \$189,982 in operation, the loss will only increase with additional mileage.

This control of territory through ownership of transportation lines fits well with Imperial Government. In 1890 when General Joubert of the Transvaal Republic was in the United States I had a long talk with him over this situation and furnished him figures on a line from Pretoria to Delagoa Bay. He wanted the line constructed by American and Boer capital and offered the control of the operation to the Americans, if they would furnish but 40 per cent of the money required.

Events since that time show that General Joubert was a wise man, but he wrote to me after his return to Africa that the espionage of England was so close that the deal as proposed could not be consummated and that he feared that Englishmen would build the road with a view of further "fettering" his country.

England thus was extending her imperial control; it was part of a comprehensive military plan to hold territory. The profit or loss in operation was hardly considered, and the benefit to private citizens was a second consideration.

The imperialistic trend of thought at Washington has allowed our Philippine government to enter into contracts violating every American principle of government.

In the first place the country has not been properly opened for American citizens' exploitation and ownership. It has been held "out of the market" with a show of mawkish sentimentality about some future Christian reformation,

and philanthropical restoration to those people of a supposed inheritance. If our Department would withdraw its insular control and invite our citizens to enter the Phillippines and take possession under any reasonable location rights, those Islands would soon become one of the most prosperous sections of the world. But at present everything must be log-rolled through the Island government, then through the War Department, and all business is throttled. In the construction of railroads in the Phillippines the same government interference is making them practically an adjunct of the imperial government. If our government authorities had opened up the Phillippines something in the way it has the Indian reserves, so many adventurous Americans would have entered the country, that it would not need a government guarantee on Railroad Bonds to float them. Capital would have been anxious to enter the field for the money that was in the transaction.

If the Phillippine government and our War Department expect the Phillippino to open up and develop those Islands so that a railroad would pay, their confidence in Asiatic character is child like.

The Phillippines do not need teachers or soldiers, nearly as much as they need the restless pushing American citizen, who rushes in where a military firing line is in action, if there is a profit in the risk, and if it were fixed so that he could get control of property in the Islands, he would soon open up the great natural resources known to exist.

It is only another example of a failure of government to successfully supervise or control business conditions.

The Iron, Coal, Timber and products of the Phillippines would soon pay the United States the purchase price the same as Alaska has done, but unless it is opened up, giving every man a fair chance for profit it will be a continuous expense.

As long as everything has to be done by "concessions" with strings of government to pull investors or locators around to the views of some government official there can be no prosperity in the Phillippines.

The transactions in railroad construction thus far, and the form of government used in the Phillippines are a travesty on every American principle.

In finishing up this line of comparisons, it would be

incomplete without considering the new nation of the east, the Yankees of the Orient. Japan in adopting western civilization has made great headway in transportation matters.

Last year 5,600 miles of railroad had been completed, 2,080 of which were owned by the government and 3,520 by 39 different companies, and it is now the intention of the government to secure all of these lines. As Japan does not give any guarantee to personal liberty, the Empire can do about as it pleases with the transportation problem. While passenger fares average very low in Japan (but .69 cents per mile) over 95 per cent of the passenger travel is 3rd class and less than one third of one per cent travel first-class. Most of the travel is on mixed trains and time is not much of an object. The average charge per ton per mile is 1.03 cents and with these low prices for freight and passenger service the operating expenses do not average 45 per cent of the gross earnings. The cheap service in Japan is the direct result of extreme low wages paid to labor.

India and Japan are the only countries where government owned or controlled railroads furnish freight service at anything near the price charged in the United States, and it is only through the payment of oriental wages that it is done. The railroads of Japan have cost about \$42,000 per mile and are profitable ventures as through the low wages paid many of the roads earn 7 per cent on the investment, but it is a question whether such a condition would benefit the people of the United States.

Our railroad men receive from ten to twenty times as much pay as do those of India or Japan and certainly are better citizens with a brighter future and are more happy than these underpaid and poorly fed yellow and brown men of the East. We have now considered the results of government control of railroad transportation in all countries of the northern hemisphere which have any considerable mileage or business.

It is evident that government control and operation mean low wages, and poor service, and that from official figures no country in the world has as cheap or comprehensive freight service as the United States.

CHAPTER XXVI.

STREET RAILROADS.

The socialistic trend of thought, is further developed through an investigation of the agitation for municipal ownership of street railroads.

In the United States nearly all of the street railroad systems, are owned and operated by corporations and it is the delight of the socialist to decry corporations and attempt their destruction.

There is no denying the fact that a franchise to operate a street railroad on the streets of a city, to a certain extent creates a monopoly; but the laws in several of our cities which oblige one street railroad company to allow the cars of another to pass over their tracks, shows that the monopoly is not of such a character as to prevent competition if there should chance to be competitive business.

The men who advocate the change to municipal ownership are politicians, and usually do so with a view of further exciting the poorer class of citizens against the capitalist.

Their arguments when sifted down to fundamental points are first: that there is an undue profit derived by the companies at the prices charged and that the "people" should make it themselves, and second: that if the city owned and operated the street railways, cheaper and better service would be given them than is given by the corporations.

Were either of these positions tenable a reason for the change might exist, but such is not the fact.

Neither of their reasons appear to consider the fact that our government was framed on the theory that government should do no business, except by contract with citizens, and that it is repugnant to American ideas for the nation, state or city to compete with the ventures of private citizens.

Government has been one thing with the people of the United States and business another; and our great success financially is the result.

Up to the present time but little headway has been made through this agitation and about the only municipal ventures of the kind as yet are the "subways" of New York, Boston and Baltimore.

While New York has over \$45,000,000 invested in a subway, Boston \$8,434,000 in subways and tunnels, and Baltimore \$1,220,000, they lease the rights to companies to operate instead of attempting operation themselves. This action is clearly within the province of a city government, because they really have increased street room by their action and rent out the increased space at a fair price to the private companies. As the companies pay enough to cover interest charges, the citizens receive the benefits of rapid transit, without the necessary political pull and possible scandal which would result from municipal ownership.

Chicago is the only city of prominence which has accepted the socialistic doctrine of municipal operation of street railways; although the vote in New York would indicate its dangerous growth in that city. I anticipate that in all of the cities, where the immigration of the Latin, Slav and Hunn has been excessive the tendency will be the same way.

Chicago presents a most remarkable example of what can be brought about by persistent agitation. The residents of that city always have been inclined toward socialistic doctrines. In 1851 they voted for municipal ownership of water works, and even though the works for years have been a scandal, and ordinarily the water a stench, it is continued, and could be pointed to as the poorest service in the United States to-day.

In the street railroad controversy, both the companies and the city are responsible for the poor service given.

It appears that through sharp practice on the part of street railroad operators, a conflict of authority in franchise extensions was brought about between the state and the city. The State having extended the franchises to 1958 while the city claims that franchises on 100 miles of the 700 miles in present use has expired. The usual law suits have resulted, and the legal decisions on the different phases of the question would fill a small library.

The result was abominable service by the companies. They did not dare go to the expense of modern equipment on account of the uncertainty, and by this action the companies only fed the flame of opposition so that there was a feeling of resentment among the people which was easily led into direct antagonism.

Having by a Chicago City charter provided for a "referendum" on such matters, agitators made every possible use of this kind of reference. Since 1899 every campaign in Chicago was decided by the stand the candidate took over the "ownership of the streets" as it was put. Municipal ownership leagues, and rattle brained reformers of all kinds, kept the thing so hot, that the street railroads were all the while between "the devil and the deep sea" and naturally gave poor service.

In the spring election of 1905 the Democratic platform included this sentence; "that Chicago follow the example of enlightened municipalities of both the old world and the new, and take immediate steps to establish municipal ownership and operation of the traction service of the city."

One of the socialistically inclined judges was nominated for Mayor and his campaign was made on the issue of municipal ownership of street railroads, and he was elected.

In summing up the results of that campaign Mr. Grosser the city Statistician of Chicago says: "The splendid example of the beneficial results of municipal ownership in England, Germany and other European countries did not fail to leave a deep impression upon the voters."

Since that election the Mayor has been attempting to purchase or arrange to build street railroads in Chicago. He has not succeeded and it is well for the city that it is so. His election was the result of anger on the part of the voters, and all men know that they are generally wrong when in anger.

The stories told of the benefits of foreign municipal ownership when investigated, appear ridiculous. The manager of the municipal controlled street railroads of Glasgow, when called to the City of Chicago in conference told the Mayor that it would be impracticable to operate the Chicago Street railroads as they were operated in Scotland.

It made this old Scotchman catch his breath, when told what street railroad laborers received in this country.

The rate of fare paid in Glasgow is about the lowest in the world, but the street railroads are only 73 miles long for a population of about 1,000,000 people, while Chicago has 700 miles for 2,000,000 people.

The Chicago roads are built with semi-suburban traffic in view and long rides, while in Glasgow they are principally for city service. The Glasgow rates are as follows:

6-10 mile.	1 cent
2 3-10.	2
3 1-2.	3
4 1-2.	4
5 8-10.	5
7	6
8 1-8.	7
9	8

Now the average rate per mile paid in the United States on electric cars is 12-10 cents and the average length of ride in Chicago is about five miles, while in Glasgow it is but two. If the American average was used in comparison with Glasgow the passenger would have paid 1.86 cents while in the United States it would be 24-10 cents for his two miles travel.

In Glasgow the cost of operation is 504-10 per cent of the receipts and 73 per cent of this amount is paid in wages to laboring men, so that 368-10% of the 1.86 cents goes to the laborer, or but .684 of a cent per passenger.

As the street car motormen and conductors receive less than \$1.00 per day for their services in Glasgow, if they were to receive American wages it would more than double the amount now paid them, so that the fare would be 1.86 plus .684 or 2.544-1000 cents against our rate of 24-10 cents in this country. With the figures developed on a five mile ride the figures are more in our favor. In Glasgow, to ride five miles you pay 5 cents while in the United states you pay the same. If they paid but \$2.00 per day to their motormen and conductors, they would have to charge 68-10 cents fare as against our 5 cents to keep even, and it is evident that the cheap service in Glasgow is because of the niggardly wages paid the 3,500 employes and that the motormen and

conductors really make up the difference to the people. If Glasgow paid her employes American wages her street railroad would lose about \$4,500 per day.

Turn to Germany and you find the same conditions, only worse. The socialistic agitation in Germany has caused several cities to go into the street car business.

Four quite large cities have entered into this class of business and Frankfort makes it pay. That city cleared a profit of \$224,640.10 last year, while Munich lost \$32,747.03.

Cologne in the year ending 1903 cleared \$21.51 and in 1904, \$130,816.06 and between these extremes several smaller cities have fluctuated.

Nearly all of the German cities operate under a zone system with a $2\frac{1}{2}$ cent limit for a ride of from $1\frac{1}{8}$ to $1\frac{1}{4}$ miles in different localities. Frankfort while charging but $2\frac{1}{2}$ cents for $1\frac{1}{8}$ miles or under, charges 5 cents for over $2\frac{1}{8}$ miles up to 3 miles and $1\frac{1}{4}$ cents per mile over 3 miles, so that the actual rate in Frankfort is higher than in the United States for any ride an American would usually desire. In nearly all of the cities there are still cheaper commutation tickets for laboring men.

To the unthinking socialist in Chicago this $2\frac{1}{2}$ cent fare for short distances looks cheap but if he had investigated the longer hauls he would have found that the average in Germany would work up near to the average in the United States (it is less than 1 cent a mile).

But, does even a socialist want the motormen and conductors on our street railways to work for the wages paid these men in Germany? In Cologne the motormen receive from \$29.50 to \$37.50 per month and conductors from \$22.50 to \$30.00 while the average in all of Germany is 80 cents per day for motormen and 75 cents for conductors.

Let the laboring men of this country once understand that of each 5 cent fare paid in the United States 186-100 cents goes to the laborer who assists in operation (not construction) and he would hesitate about demanding that these wages should be cut in two to save him thirty cents per month. But this is exactly what is done in all of these countries quoted by the honorable mayor of Chicago, and is the principal reason why "cheap" service is given.

Another is the fact that the municipal roads do not pay

taxes. Massachussetts has estimated that 10 per cent of the revenues received by the Electric Companies are paid in taxes in one way or another so that $\frac{1}{2}$ cent of each 5 cent payment goes for tax.

But the greatest saving made in the United States over that of Germany is in time.

Our street cars run on the average three times as fast as those of Germany. Those people do not know what rapid transit means and the man who goes five miles in an American car has gained thirty minutes' time over the German traveler in the same form of conveyance. What is that two times thirty minutes each day worth to a man? Is the one hour at home instead of puttering along on a street car worth one cent, or two, or anything?

If cars were installed running at slow speed and others at fast speed the proportion that would take the slow car is something as yet undetermined.

However, speed costs money and is a great consideration. I have seen foreigners get into the "Catalina flyer" for San Pedro from Los Angeles, and turn pale with excitement when the motors commenced to sing and the car fly along at fifty miles an hour, but I also noticed that Americans crowded for seats in this car while there would be plenty of room in the car that had preceded it.

The American wants speed and is willing to pay for it, and the boasted street car service in Germany would set the most ordinary laboring man in this country crazy after getting used to American ways, while the business man would get out and walk to cool his anger at the delay.

Even the countries dominated by labor organizations and true socialism, hesitate at municipal operation of street railways. In Sidney, New South Wales, the city owns and operates the street railway; but one of the prime reasons for such ownership was the fact that the government retained control of the streets and the city though their railway commissions sought to gain control of the transit lines which they desired.

Today the street railway system in Sidney maintains about one third of each roadway along its lines, and is independent of the Municipal council.

The divided authority forced the city of Sidney into

the position, because responsible investors would not take the chance. Melbourne's old cable roads and Brisbane and Perth's newer electric lines in Australia are run by private corporations, and if low rates were to be charged on these roads, it would present the spectacle of one set of labor unions imposing on another a low scale of wages, or forcing a community to pay for the rides of the people.

The great proportion which labor receives from street railroad receipts has a direct effect on the fare. If the citizens of a city think it worth while to seize the street railroad property and run it with poorly paid labor, or at a loss, making up a deficiency through tax, it is well for them to say what they mean, but it is ridiculous to make comparisons with Germany or England.

There is not a city in England or Germany in which if wages were paid to their workmen anything like on our American roads, and if taxes were added to fares, but what their average charge for "poor" service would be higher than we pay in this country for good.

The 2½ cent short rate fare in foreign countries has been held up to an angry people in Chicago, and they attempted to destroy the corporations; not noticing that back of this red flag of socialism, with cheap street railroad fares as a center piece, there crawled the slimy dragon of political corruption and socialistic aggression that would mean disaster for their city. Good and honest citizens were carried away by the statement that because 2½ cents was charged in these other countries, it was enough here, and that the companies were robbing the people, although two of their traction companies had passed into the hands of receivers within the past five years.

The whole agitation for municipal ownership of street railway lines is nothing more or less than socialism.

CHAPTER XXVII.

INSURANCE.

The disposition shown by many to turn over to the government power not intended, was remarkably demonstrated when the insurance scandals were brought out. Because an investigating committee in New York developed the fact that some insurance officials had been recreant to their trust, had voted themselves outrageous salaries, had expended money of their companies in riotous living and in improper ways, there was an immediate demand on the part of the semi-socialists, for the government to supervise and control insurance companies.

If these officials have done wrong, the laws against embezzlement and fraud could take care of them, and unless they have been guilty of some clearly illegal act, the government certainly has nothing to do with the venture. In the committee's attempt to blacken the character of the insurance managers they go entirely too far.

The singling out of a few bad loans from the thousands that were good, with a view of discrediting these men, was only the work of pettifoggers; because in the nature of things some mistakes could honestly have been made, in handling so many loans and such large amounts.

The officers of these institutions had handled the funds so that they had earned more than the estimates of the actuaries of the companies, and had paid every obligation in accordance with their contracts with customers, and had succeeded in placing the Life Insurance Companies of the United States at the head of all such companies in the world. The spectacular investigation occurring at the time when the people were being worked up to a fever heat over government control of everything, by the whole socialistic propaganda, headed by an unscrupulous New York newspaper man, caused many to lose their poise.

Even the President in his message to Congress called attention to the fact that he had previously recommended that "the Congress carefully consider whether the power of the bureau of corporations (an executive adjunct) cannot constitutionally be extended to cover *inter state* insurance" and repeated the recommendation saying "that the Congress should also consider whether the Federal Government has any power or owes any duty with respect to domestic transactions in insurance of an interstate character" and argued that because the Constitution allows congress to regulate commerce with foreign nations and among the several states, that they should call the insurance business commerce and regulate it. He asked that this power to regulate be left with a bureau of the Executive Department, and under executive control. To a business man, life insurance is a peculiar form of commerce, and the recommendation very properly died in the committee room.

Life Insurance is a speculation of the rankest kind, because you expect to die to beat the game. Nine tenths of the people who insure have in their minds the idea that they "may" die before the time they would be called upon to pay the value of their policy in premiums and accrued interest.

The companies figured such an average that, if they were able to get a large enough line of customers, they, under the ordinary run of things would take in more than they would pay out. This speculation in regard to the length of life was the reason for the great investments in insurance in the United States. The officers of the companies advertised life insurance as a "benevolence" and prated of their benevolent institutions, when in fact they were business ventures with a view of making money, and it developed that through margin of real profit and actuaries' figures they were making a "soft snap" out of the companies.

The policy holders have made a profit over and above the ordinary use of money, even after all the "high jinks" large salaries and bad loans are considered.

The Equitable after the change in officers was brought about, developed the fact that the Company owned about \$450,000,000 of securities which paid an average of 4 3-10 per cent so that this company could lose \$1,350,000 per year

in bad debts and still allow the stock-holders to receive as much as the highest rate paid by solvent savings banks.

The speculative attempt to beat the "grim reaper" through insurance was the reason why \$500,000,000 per year had been paid in to the regular companies, and why nearly twenty billion of written insurance was outstanding in the United States. It was made popular in this country through success of the companies and over four times as much Life Insurance is outstanding in this country as in England, fifteen times as much as in Germany, and twenty-five times as much as in France.

Now because less than one tenth of the people of the United States who entered into a speculative gamble with the Insurance Companies, find by investigation that the officers had taken advantage of them without doing so in an illegal way (only by a species of "graft"), what possible business is it of our government?

If the policy holders do not like their companies or their associates they should close up their business with that company and if they still desire to gamble in insurance go to some other company.

If the Congress is to look after their speculation it should look after mine and the other nine tenths of our people who have nothing to do with life insurance.

Why should I and the millions of men who do not gamble in life insurance be called upon to assist in paying the expenses of a bureau supported by the government, with a view of watching the investment of the insurance gamblers?

I never insured my life because I thought the chances for making money were as good through my own management as they would be in the hands of these insurance speculators, and while willing to speculate in grain and stocks and gamble in various ways, preferred to use my own judgment and enjoy the winning and sweat out the loss myself. As western men say, I preferred "quick action" and was not attracted by a game so slow, that you had to die to win the first bet.

For the government to take charge and regulate speculation in insurance, and destroy the lotteries at the same time would be inconsistent. It would be paternalism of the rankest kind. It is advocated by all socialists because their move is first "regulate" and then have the government go into the business.

It would place a power in the hands of our Executive Department so great that these companies who have investments of thousands of millions of dollars could be *intimidated* by a designing executive into almost any kind of political position.

Any regulative control of investment would leave the insurance companies a prey to executive authority, as the profits could be dissipated, and financial regulations made which would almost be a confiscation of these peoples' money.

Following the lead of the Administration the several states are trying to see how far they can go in the "regulation" of insurance business and still have the courts support the action of the legislatures.

A state having issued the charter can consistently pass laws regulating the companies it has brought into existence, so long as that regulation does not interfere with the earning capacity of the company regulated.

The fourteenth constitutional amendment is a complete estoppel to any action by a state which would take away from its citizens any acquired property rights.

New York having inaugurated the investigation, has led off with regulative laws; Ohio and Kentucky have also been heard from, and insurance commissioners all over the country have drawn attention to themselves by assuming imperial prerogatives in dealing with insurance companies.

Some of them are supported by crank laws passed by the legislatures of several states, and some of them assume powers not vested in them at all, following the lead of nearly all executive officers in a republic.

Some of the recommendations made would bankrupt one or more of our great insurance companies the first panic, and panics come as sure as wars to a nation.

The Governor of New York in his recommendations to the legislature practically suggests an unconstitutional regulation, and excuses himself by saying that Germany does certain things.

He overlooks the fact that through the war of the Revolution and a written constitution the citizens of the United States took that very power from government.

That war was fought against this paternal or monarchical control of business affairs, and an inquisitorial investigation in explicit words is prohibited.

Every Executive listening to the voice of the people (i. e. the rattle brained socialists) feels called upon to take charge of things and save the public.

Their conscience should rest easy, the public is saved.

These insurance companies have paid all of their obligations thus far, and will continue to do so if let alone.

The stockholders and parties interested have made the necessary changes to protect themselves, and the states or the nation only complicates the situation by interfering with their business management.

How ridiculous it would be for a state or a government board to assume to regulate the investments of these great companies.

Officers selected or elected, usually with no special business qualifications or training, assume to dictate to the managers of the insurance companies in regard to investments.

I can see that the tendency is to force insurance companies to withdraw from all forms of loans on "quick assets" and oblige large loans on real estate.

The Governor of New York said "that investment in corporate bonds should be regulated so as to prevent speculation and loss from an attempt to float doubtful enterprises" and further along recommends legislation so that an "equitable distribution of the gains of the company to the policy holders should be required."

Such a law if passed would only pass up to the Supreme Court another clearly unconstitutional interference with the business of private citizens on the part of a legislative body.

They are both a direct interference with the business management of these companies, and are beyond the powers of legislation in this country, although well within the power of the executive department of an Empire.

The first provision that I have quoted, is impracticable and ridiculous when considered in a business way, and a state that would pass a law of such a character should be obliged to stand the loss if any occurred.

The idea of passing a law that would prevent an investment in corporate bonds which was not speculative is a business impossibility.

What government, state or corporate bond is in existence without a speculative value attached?

The bonds of the United States have fluctuated in value from \$400 to \$1,460 per \$1,000 in my business experience. State Bonds by millions have been wiped out as a total loss.

England's bonds today sell at less than 87 per cent and Russian at 70 per cent and the assignats of France were wiped out of existence only one hundred years ago.

With the States and the United States entering into an attempt to control and regulate corporate action in the conduct of their business, assuming the rate making power, dictating price of service on our railroads and attempting to have the Post Office Department run the express companies out of business, there is not a corporate bond in existence in the United States without a speculative value. The managers of these companies know better than any government officer the form of bond more profitable to hold, and any inflexible law regarding investments would be safe today possibly, but certainly would end in disaster.

The recommendations in regard to investments would oblige these companies who receive four per cent interest on their money to be content with but a small fraction over 3 per cent and would mean a loss of 25 per cent of interest revenue.

Certainly these great corporations with their knowledge of affairs know better what to do with the investments of their stockholders than the governor of New York or the legislature, and this matter is beyond the legislative function.

The second recommendation I have quoted is the play made to the grand stand of agitators as being in the interest of the common people.

It is sufficient for me to say that the only reason for life insurance is, first: to get the best of it by death and, second: that the investor feels that the company can do better with his money than he could himself. These companies in handling the millions entrusted to their care thought a reserve fund advisable and had maintained a large fund for this purpose. It enabled them to make quick loans of large amounts

and they made money for the companies by their transactions. They paid every obligation to the policy holders and generally were successful in handling these quick loans.

By the use of this money several great combinations have been perfected, and in several instances the transactions were more or less speculative.

This second recommendation which asks the legislature to order a distribution among the stockholders of the greater part of the reserve is an interference with business affairs entirely unwarranted.

The government obliges banks to carry 25 per cent reserve in most instances, and here is an attempt to force distribution of a reserve not near as large.

Some of these companies have \$500,000,000 invested, and from the reports made the investments are generally first class, but is it business sense for institutions having such vast interests to tie their investments up in real estate loans to a great extent and distribute their quick assets held in reserve to the policy holders?

If the policy holders themselves demand such a thing, it is evident that their money in life insurance is a proper investment, because they did not know how to handle their own money in a safe way.

These men who recommend such action have entered business since 1873, and know not the results of panic, and if these insurance reserves are distributed to policy holders as recommended, when the time comes (and it will come) that confidence in the value of securities is lost, then through the lack of a proper reserve which could be sacrificed and jettisoned if necessary to protect these vast interests without destroying the par value of the policies, it will bring failure to the company itself.

The policy holder who insists on distribution is exactly the kind of incompetent that life insurance benefits and as he had turned his money over to abler men to handle he should hesitate about dictating the way it should be invested.

These companies with the investments made as carefully as the mind of men could conceive; by restriction such as is proposed would find themselves tied down to a line of policy so shaped that when the storm of panic came, their ship of finance would be wrecked, or so badly damaged that it would take years to repair the loss.

The people of the United States do not need to read any lessons from the German Empire or socialistic Switzerland.

With \$19,273,675,201 life insurance in force in the United States and but \$1,320,163,685 in Germany it would go to prove that we knew more about insurance here, and made a better business of it than in the Empire where the executive can nose into every class of business, and dictate its management.

It was a surprise to read of the salaries voted to the grafting officials in some of the companies, salaries three times as much as the President of the United States received to men who could only be considered lucky insurance clerks, who were fortunate in getting office, but it was the business of the companies, not the state or nation, to regulate that.

If the laws regarding embezzlement or fraud are insufficient, change them covering all business conditions, but do not make special legislation regarding business methods of insurance as it is inherently wrong from our stand point of government. It reflects a drift to socialism or Empire for our legislature to attempt such special business regulative legislation, and in this insurance matter they might throttle the action of those companies at a critical time and destroy the value of millions of policies outstanding.

The ignorant man naturally rushes to government for protection against every ill, and I do not think the policy holders of the Insurance Companies demand this legislation, because, certainly they can read, they have had the contract they made with the company explained to them, and they evidently know enough to earn the premiums to be paid, and certainly must know that government interference would injure rather than improve the value of their policies.

The whole legislation is only another example of a socialistic attempt to have our national and state government get into business.

CHAPTER XXVIII.

POST OFFICE.

Nearly all of our semi-socialist friends refer to the Post Office Department as an example of what can be done by public ownership of utilities as they are pleased to call certain lines of business. The constitution provides that congress shall "establish post offices and post roads."

Long before the constitution was framed this power of establishing post offices and post roads had been used in the colonies for the purpose of giving public protection to private correspondence. For twenty years before the revolution Benjamin Franklin acted as a deputy postmaster general under the English postal regulations, but the views of Franklin regarding public ownership of buildings, civil service rules, the employment of armies of government employes, and attempts to do business in competition with private citizens, have been completely disregarded. Franklin was opposed to the government doing any form of business. In those early days local postmasters regulated the rate of postage so as to pay expenses incurred, and it was not supposed that the government should name a price for any service.

In the year succeeding the adoption of the constitution laws were passed forming a Post Office Department of the government, and it has continued with growing importance to the present. However up to the year 1845 the rate of postage charged in the United States had netted a profit to the nation, and it never was the intent of the framers of the constitution or the original law makers that the government should render this service at a loss to the Treasury.

The passage of laws regulating rates of postage eliminating all distance from consideration, and the extension of the service over our vast territory has caused a yearly

loss in operation since 1866 of from \$6,595.12 in 1882 to \$14,931,688.45 in 1905 averaging a loss of \$8,111,720.00 per year for the last twelve years.

The executive Department has gradually changed many important features in the administration of our Post Office affairs. Ordinarily by securing the passage of laws through congress, and at other times, by a clear assumption of authority.

The natural growth of the Post Office department and the additions brought about by this official "log rolling" in congress have placed under the control of the executive Department about 285,000 employees in the Postal Service alone.

The control of this great army of appointees is an effective club over the head of most of our representatives in congress, and the ridiculous civil service rules, now enable an Executive to enforce his personal will, or crawl out under civil service rules, as he pleases and the representative who desires to assist his friends is made a laughing stock. Really anything the Post Office department desires can be made to appear as a demand of the "people" through its ramifications, and the result has been that the Post Office authorities today want to, and do, go far beyond what was intended by the founders of the Department.

The Executive Department uses the appointive power as a method of forcing administration measures through congress and the actions of many representatives are controlled in this way.

While the deficiency in the operation of the Post Office department is reported as being \$14,931,688.45 in 1905, this great loss does not include the interest on the investment in government post office and Federal Buildings occupied.

It appears that there are 200 first class, 105 second class and 21 third class post offices so accommodated, and if the interest on this investment was included, the loss would run from twenty to twenty-five millions of dollars last year.

If it had been the intention of the framers of our government that such expenditures were to be made, those sticklers for no taxation without representation would have provided that the expenditure should be governed by population. They would have arranged that if Chicago with 2,000,000 population had a \$10,000,000 Post Office that Podunk with

100 inhabitants should of rights have a \$500,00 building, but it was not the intention that the United States should own or build Post Office buildings all over the country. At the time of the organization of our Post Office Department a contract system was devised which enabled American citizens to enter into contracts with the department to transport the mails and furnish buildings for Post Office accommodation, and what is left of that system is used today.

The object of the establishment of Post Offices and Post Roads by law was to prevent multiplicity and confusion and protect mailroads from robbery or delays and it always has been made a serious crime in this country to interfere with the mails. Mail was given the right of way over post roads and it is so today. Within the last twenty years I have assisted in tipping an unfortunate freight wagon off the road to make way for a coach with U. S. Mail.

Until the encroachment of late years by the department it was plainly understood that every thing was to be done by contract, duly advertised and entered into only with citizens of the United States, and at no time was it supposed that this governmental department was to enter into competition with the endeavor of private citizens.

The construction of the expensive buildings in favored cities is not for the best interests of the people, and is evidently unfair when considered.

It cannot be said that these buildings furnish better facilities than could be obtained through arrangements made with private parties, and it is a well known fact that they have cost from two to three times as much as private citizens would have been obliged to pay for the same space.

The government purchase of ground and a permanent fixed location for a Post Office frequently has proved a mistake, but through ownership of the property changes cannot be made to meet business conditions. As the buildings pay no tax to the communities, several millions more could be added to the loss of the people through this ownership.

The Post Master General in his last report in considering the advisability of improvement of Post Office facilities in New York and other cities, frankly says "that the generally accepted practice both as to location and arrangement of post offices in these cities fails to secure adequate facilities."

In the report for last year it would appear that 330 Post Offices or stations were accommodated in government buildings, while 67,801 were taken care of in other ways. Eliminating the 62,487 fourth class offices, it leaves 5,323 Presidential offices where quarters were rented and light and heat furnished by citizens for the sum of \$2,568,572.73. This sum is charged in the expenses of operation, but the interest on the millions of dollars invested for the 330 other offices is not considered at all. Now comes the Post Master General himself and says that these great expensive buildings do not answer the purpose. The government could save millions each year if they would go back to first principles and rent the quarters required for this business from citizens.

The apparent cost of these buildings does not nearly represent the loss to the people, because one third of the ridiculous "river and harbor" appropriation and extraordinary expenditures voted by congress, is through the "tickle me I tickle you" policy of aspiring congressmen who endeavor to secure large appropriations for buildings in their districts.

In addition to the palpable wrong in favoring one certain town or state by these expenditures, it is expensive and creates an executive adjunct not intended.

The drift of public opinion which allows our government to "do business" has permitted the employment under salary of 21,778 letter carriers who receive 20 per cent of the receipts of the 1144 post offices thus served, and the rural routes lately established place over 35,000 (last year 32,055) more on the salary list of the government, whose average wages are \$2.00 per day and receipts 41 cents.

It should all be done by contract under proper bonds furnished; as it is, we now hear of labor organizations within the government service, although all salaried men in government employ should be oath bound servants of their country.

The Post Office department would never have been a political factor if the intent of our early law makers had been considered. Their idea was for congress to establish Post Offices and the community select the post master; the department advertising for bids for housing and heating the office, and the postmaster being under bonds to select his assistants.

If districts desired local delivery it should have been at their expense and not the general public. All the Executive

department should do was to see that everybody gave bond for faithful performance and to prosecute when failure occurred.

At present the Post Office department is transgressing on the first principle of business conduct. It has taken away from the Post Masters the power of control over employes, and the most vital principle connected with business discipline is violated. I know that civil service reformers will say it is necessary for the department itself to dictate the employment of certain subordinates, but these men usually know little of business management or are advocates of a central governing power.

I know that if the Post Masters were allowed to really have charge of their offices, that it would save the government ten million dollars per year. The whole civil service racket and the employment of this great army of men by the government instead of the local interest, is only with a view of keeping a dangerous power in the hands of the Executive Department.

I would not accept a Post Office, and assume the responsibilities of its successful management, if I could not select my assistants and discharge them if I did not like them. The result of this action on the part of our government is creating a class of Post Masters who work for the "pay" and really are becoming pensioners, instead of live business factors in their communities.

The nonsensical notices for Post Masters to have nothing to do with politics, when taken in conjunction with the civil service interferences with his management of his own affairs, puts a Post Master in a peculiar light, as a man among men. On top of all this for the President to put him in a civil service class, and continue him in office indefinitely regardless of the wishes of his neighbors practically makes him a pensioner.

The civil service rules adopted by the Post Office Department are creating a class of citizens as fixtures in government employ, and every American citizen down in his heart knows this is wrong.

It is proper for the men trained by our naval and military schools to give their life to their country, and for the country to keep them for life. The necessity for drill and discipline requires a certain term of service for our army

and navy, but it is worse than nonsense to assume that because a man chanced to answer a lot of questions successfully before a board of cranks, and thus got into the employ of the government, that he should live thereafter off the people.

The laughable exceptions made in the Civil Service rule, where one high official in the Philadelphia Mint is discharged because he insisted on keeping a stenographer in his employ, and a warning sent to another Post Master not to take part in politics, looks strange, when I know of other post masters so busy in political schemes that they are away from their towns one quarter of the time without reprimand. It would cause one to think that the rules worked when they worked and at other times were forgotten.

This civil service proposition is merely one of the ideas of socialism or monarchy and is creating a "class" of government employes not in sympathy with our institutions.

It is all right in an Empire or Kingdom but is not according to American ideas. The Post Master General in his report continually refers to what is done in Monarchical countries, and frequently suggests adoption of their ways.

In the last report he suggests that \$10,000 be appropriated, for the purpose of further investigating their method of doing business.

In referring to the possible establishment of a parcels post in the country, he says that to do so successfully, would probably involve a high rate of postage or a temporary deficit, in the effort to *compete* with the several express companies thoroughly organized for handling parcels under the "zone system" etc.

Then again, he says: an effective domestic parcels post is conducted in other countries and says "it would be necessary to adopt rates of postage that would meet the rates charged by express companies."

He then says it is not deemed wise to enter at present into this competition but suggests some changes in postage on third and fourth class matter, that would start the competition which is not wise to openly attempt. Last year it was recommended that the government enter into the "light country express" business and make it a criminal offence for the driver to carry a plug of tobacco from town to the country farmer.

Last year the Post Office Department carried 663,117,-128 pounds of second class matter for \$6,186,647 which cost \$33,165,150 to transport and the people pay the loss.

A parcels post system could be established which would drive our express companies out of business, and the loss in the competition would be paid by the unsuspecting tax payers.

The postal order business of the government is only an entering wedge of socialism with a view of government doing a banking business. Last year our banks lost the exchange charges on \$396,903,433 domestic and \$47,576,027 foreign exchange through this competition, and as the government charged \$3,211,644 exchange on the domestic and \$429,571 on the foreign, it can be seen that the banks would have done the business cheaper than the government on the domestic and that the government was cheaper than the banks on the foreign, so the net result [of our money order business was to make it easy and cheap to send money out of the country.

In the handling of registered mail for which an extra charge is made, and which is in fact a competition with express companies, it develops that the Department lost 612 packages worth \$13,831.66 and allowed indemnity of \$5,-310.97 and *paid* \$1,432.41 last year.

When the people compare this with the action of the express companies in settlement of losses, it but gives a faint idea what a government parcels post would mean in losses to the people; outside of the loss paid by taxpayers in operation.

The fact is, a corporation would take the Post Office department, guarantee delivery of letters and packages or pay damages within a reasonable time, and make a profit with the \$152,826,585.10 receipts last year.

Such a company would pay rent and taxes in every city where the congress would establish Post Offices and carry mail over every post road required.

Our postal arrangements have gone so far that a change could hardly be made, but every additional attempt of the Department to enter into competition with private citizens in any way should be blocked.

Since 1872, through influences brought on congress by an

aspiring, reform Post Office Department official, a system of paternalism has developed which puts even the Empires and Kingdoms of Europe into a second class. Each report of the Department is filled with a long account of how the Post Office department is looking after the money, morals and health of the people, through their so called fraud orders and regulations. This is only a form of paternalism and an attempt to have the government attend to other people's business. While most of the highest civilized nations countenance and at times enter into a lottery, and our own government adopts the lottery scheme in distribution of land taken from Indians, the Post Office department will not let a lottery advertisement pass through the mails.

Guessing contests are prohibited and any speculative venture on the part of the people is tabooed by the Department.

Patent medicines have been decided to be unhealthful and their advertisements stopped by the department, on the "say-so" of some inspector, and a senator has been disgraced because he protested against a Post Office order regarding a business venture and accepted money for his services.

With plenty of money a "Bucket Shop" is just as legitimate as any speculative stock brokerage house in New York, and if they would "hedge" uncrossed trades daily, would not even be a speculative establishment. The American people are speculators and if these foolish reforms were referred to a vote they would not be supported. The lotteries still go on, but the money is sent away, and the people still bet their money and win or lose and it is a good thing for the people to have this speculative fever; it brings wealth to many who have not the ability to earn it otherwise. It certainly is none of the government's business if they do win or lose, and the whole fraud order business is un-American except when it protects the morals or health of the people.

CHAPTER XXIX.

TIMBER AND COAL RESERVES.

The tendency toward paternal or socialistic government is remarkably shown in the reservations made of public lands by the Executive department since 1891.

The reputation of the Adirondacks as a fishing and hunting ground induced the state of New York in 1885 to establish a forest reserve in those mountains, and rightfully turned it over to the Fish and Game commission of the State.

The parties interested in the reserve fully understood that it would be unpopular to let it be known that this great tract of land was to be held as a hunting and fishing ground, because only a rich man could afford to be benefited by it.

The hunters and fishermen began to talk about timber being a great conservator of water, and to their surprise, so called scientists took up the discussion and convinced themselves and many others that it was "the thing" to save the timber lands for this purpose.

Others, to help along the reservations, argued that the timber should be reserved for future generations, and Mr. Pinchot the present head of the forestry department, takes this view quite seriously, claiming that the timber would all be used in a few years at the rate we are cutting. The reservations have been made, giving these two reasons, when in fact there is no real sense to either reason, and the earlier reservations were only intended as fishing and hunting grounds for sportsmen.

New York has purchased about 1,500,000 and Pennsylvania 600,000 acres of land under this false pretense.

The agitation principally engineered by Colorado men induced congress in 1891 to grant permission to the President to withdraw public lands from entry by private citizens, upon presentation of circumstances which in his mind were

sufficient to warrant it, and the executive department has "run wild" of late years in this "withdrawal" of public lands from location.

In the Eastern and Southern States the national government had little to do with this outrage on the citizens of States, but in many sections of the west the result of this executive action is disastrous.

I hardly believe the public understands the extent of these operations.

Today the unappropriated lands in the United States (leaving out Alaska, the Indian reservations and national parks) amount to about 535,000,000 acres, and nearly 100,000,000 acres of this amount is withdrawn from private ownership through executive order. Over 86,000,000 acres are withdrawn on account of "forest reserves" and 10,000,000 acres of coal lands have been reserved for future generations and the geological survey is now examining about 90,000,000 more acres of coal land at the instance of the President with a view of withdrawing it from location.

When the gentlemen who built the Glenwood Springs Hotel in Colorado took up this "Timber Reserve" cry, and secured the enormous timber reserve around Trappers Lake for the purpose of advertising the fact that great hunting grounds were immediately back of the pleasure resort, they little knew the damage they were doing to the State.

Colorado can be given as a demonstration of results of this Executive action. Fifteen million acres of the public domain out of the 35,000,000 acres of land as yet unappropriated within the state have been withdrawn from location and it is proposed to set aside 9,150,000 acres more.

The 13,071,712 acres set aside as timber reserves in Colorado are every bit as good land to support population as is found in Switzerland, where three million people live, even if they do not grow rich, and this territory taken away from Colorado for timber reserves alone, is 26 per cent larger than the twenty-two states of Switzerland.

My summer home is at Aspen, Colorado, and the timber reserves cover all of the timber around the town, so that not a stick of timber is used in the mines or for building purposes that has not been marked, measured and sold by the government.

Inspectors mark the trees to be cut, and measure up the

results and collect from two to three dollars a thousand feet for merchantable timber, and one dollar a thousand for fallen timber.

The result is that were it not for the great demand from Manchuria and the immediate demand from San Francisco on account of the fire, it would be cheaper for this town to buy lumber from Oregon, than pay the prices demanded for lumber manufactured from the forests in sight.

If the President would take it into his head to cut off the outlet to the west, which fortunately was located by private citizens before this nonsense commenced, one would be obliged to get a "permit" to leave this town of 4,000 inhabitants, one of the beauty spots on earth.

The lumber interests of the Rocky Mountain States are absolutely under control of the Executive. The saw-millman must have permits to operate from the government, and must do only what the Inspector orders or risk ruin to his business. Inspectors, following the line of all executive control, will not allow competition, and the result is that when you find a saw millman, you find a supporter of the administration, and the government of the United States is the greatest operator in saw logs on the continent.

Cattle men have caught the ear of our executive who was once in the cattle business, and have perfected leases for grazing purposes on part of these reserves at a ridiculous price, and the timber reserves are part of the executive domain of the United States today, as much as the crown forests of Russia.

Without considering the fact that our nation was organized with a view of preventing government from competing with or controlling business management of private citizens, it is evidently unfair to have the government lease out grazing land at 10 cents per acre and assist cattlemen in Colorado, in competition with those of Ohio and Iowa, who raise more cattle and pay tax on their land.

The serio-comic side of this outrage appears when the facts are known.

The ambitious hunters and fishermen who started the timber reserve stories, unconsciously started a couple of lies that "ran away from them." Both reasons for the timber reserves are fabrications pure and simple. The assumption that a large tree conserves water is a myth.

In the Rocky Mountains the great snow banks which conserve the water supply, are occasioned by sweeping wind gathering up the snow and banking it in gulches.

While small "second growth" timber can localize snow drifts about their roots, large timber prevents its accumulation except at about an average depth.

In the spring, if on a high mountain with much snow to contend with, the place to find the ground is around the roots of large trees. Two reasons exist for this circle of bare ground around large trees. The movement of the sap creates warmth and the tree is gathering up the moisture, and throwing it off through its foliage, the same as a bouquet in the vase dissipates the water placed around the stem.

This exudation of moisture drawn from the ground creates dampness in the woods, but the trees are great vampires drawing water from the ground itself.

The mountain stream may run through a wooded valley but if followed to its source it will be found that it heads beneath a snow bank, which had drifted into a gulch and by the successive heat of day and freeze by night incident to all high altitudes turned into an ice pack.

The succeeding floods in Nebraska and Kansas which for several years have been disastrous, are occasioned by the turning of the soil, and the floods in no instance originated in the mountains. The waters today flow down our mountain streams with the same volume and steadiness as they did twenty-five years ago before a stick of timber was cut on the western slope of the Rocky Mountains.

In summer days, the Roaring Fork, which flows back of my residence, has its ebb and flow as regularly as the tide, the heat of the sun melting the banked up snow on the bare peaks, creates a flow from two to six in the afternoon and the chilling night causes the ebb which culminates in the morning.

The snow beneath the timber in the mountains practically has disappeared long before the high water occurs in our mountain streams.

The floods of Kansas and Nebraska which threaten to reduce some sections of those states to primeval swamp, originate within the states themselves, and timber in the Rocky Mountains has no connection with the phenomenon.

It is a good thing to plant trees in prairie states; they draw the moisture from the ground and pass humidity to the air, but the talk of timber conserving water in the mountains is only a theory; *it is not a fact.*

Arizona had the first wet year in 1905, so wet that it was a struggle for the railroads to keep in operation, and they have been cutting trees for twenty-five years from the mountain sides. Timber reserves for the purpose of conserving water are simply "rot." The other reason has less force than the water conservation.

When a policy in the United States is developed and succeeds which would conserve our natural resources for future generations, we had better stop the flow of immigration to our shores.

We had better rewrite our Declaration of Independence, and withdraw the invitation to the downtrodden and oppressed of all nations. It was the theory of our government to divide public domain among our citizens, and we promised every one a farm, who desired to be a farmer and in case they desired to own a timber claim or mine, the choice was given them. Prices have been placed on Farm, Timber, Stone, Coal, Saline and Mineral land, and location and appropriation by citizens invited. A division of the public domain among bonafide citizens was the foundation of our land laws. Diversified ownership and payment of tax is one of the rocks of safety to which our government is moored.

This withdrawal of over one fifth of our public domain through executive orders is a violation of faith with the people, and if timber, coal and iron are to be saved for future generations the farms should be reserved as well.

But the saving of timber already grown is not true political economy in the United States. If the heavy timber were all used up in this country it would have a reflected value in improvements, and our vast system of transportation would equalize values for future use. Alaska, Siberia and Upper Canada will furnish the United States with lumber for all time, and as I have called attention already, at prices which would compete with the timber now sold by our government in a central mountain town near the summit of the Rockies.

One of the reasons for Villard's failure in Northern Pa-

cific was the criticism that no one could be induced to farm in the Dakotas, because there was no timber or fuel there; but Mr. Hill delivers lumber to those farmers for six dollars less a thousand feet, than is paid in the Central Mountain States, in locations so near the timber that the sighing of the wind can be heard through the branches of the forests.

Private incentive of American citizens is a safer reliance than government control. The people of today need not look out for the future; it is only presumption to attempt it. It may be well and is a good idea to have a forestry department to instruct in replanting and give information regarding improved methods of tree culture, but a conservation in the United States of a perfected tree, is merely a sentiment which none but a theorist could entertain. The yearly cutting and planting of crown lands in Sweden where great forests show the steps of growth for each succeeding year and the timber culture of Germany are beautiful examples of what can be done in tree culture but as $36\frac{1}{2}$ per cent of the area of the United States is still timber land, enough of our territory is given to that industry. For the fiscal year ending June 30th the state of Colorado received \$12,541.79 from the government on account of timber reserve receipts, being one tenth of the collections made, but during that time the citizens lost fifty times that amount in increased prices paid for lumber and timber, and the amount of loss through check to immigration and future citizenship cannot be computed.

Congress appropriated \$1,000,000 the present year to pay salaries of rangers connected with the Forestry department. Outside of their duties in connection with the sale of logs, and driving people out of the tall timber, they are of no service. In case of forest fires they notify the department and necessarily must let them burn; no human agency can stop them.

To show that the trend of thought in executive circles is either toward socialism or paternalism, the action of the President this year (1906) is conclusive.

The President has already withdrawn 10,000,000 acres of coal land in the west from location through an executive order, and is preparing to withdraw 90,000,000 more and says he believes by that action he can prevent coal oper-

ators from purchasing government coal land and forming a trust and raising prices of coal. His idea is to hold the coal land and have the government lease to operators.

The President proposes to hold this land out of the market until he can induce congress to change our land laws and authorize the government to go into the coal business.

If this is not socialism the theories of that sect have not been explained.

For many years the government has sold coal land for \$10.00 per acre, if over ten miles from a railroad and \$20.00 per acre for land nearer transportation lines. It can be seen that this price is from 8 to 16 times as high as is charged for farming lands. The law only allows a citizen to make one coal location, after which his right expires. It can be seen that the conditions under which coal land is sold by the government are practically prohibitive not only as against trust location but as against poor men's locations.

The amount of work required and payment to government is ordinarily beyond the means of poorer citizens.

Companies have joined together and induced citizens of the United States to locate and perfect titles to coal land, and have made agreements to pay these citizens for their work and title when perfected.

It is as legitimate to do this as to buy a man's farm after he has perfected title. These locators after legally acquiring right to coal land have the same right to sell as any other citizen would have to dispose of personal property.

A citizen cannot make a business of locating coal land and selling it, because his one location ends his coal rights.

It cannot be denied that many citizens have made their locations with the distinct view of selling them, however it was but using their rights as citizens.

If the President thinks coal land has been sold too "cheap" it is well within his province to recommend congress to raise the price, but for a man not a socialist to recommend that the United States retain its coal lands, and "lease" them for the benefit of the people, is peculiar to say the least.

Colorado is hit hard again by this order already given, as it takes 2,442,000 acres of her most valuable domain out of the market, and at a most inopportune time, and the proposed order will take 9,150,000 acres more.

Six hundred and twenty two thousand acres of the amount

already "reserved" is in northwestern Colorado to which a railroad is being constructed from Denver. One of the principal reasons for this railroad's construction was to transport the coal of that section. It cannot be supposed that this executive order will do more than "hang up" locations in the land offices, and vested rights of locators will of necessity be sustained by the courts, but it is an unheard of interference with the business of a community.

The intent was shown to withdraw all the "easily mined" coal from the market, so that the government could get favorable prices from "lessees" and compete with the citizens who had joined with the corporations.

The dipping coal lying north of Bear River was not reserved but the great level lying measures south of the river are attempted to be withdrawn *after the line of railroad had been located to make a market for the mines.*

The attempted reservation covers one of the greatest coal deposits in the world. While the coal is in the "cretaceous deposits" where nearly all of the coal of the Rocky Mountains is found, there has been sufficient pressure to form a good product, and at one point I have seen 124 feet of coal in successive layers nearly all merchantable.

In making the reservation the president intimates that by doing so it would prevent the coal from falling into the hands of combinations.

Rumors of suits against the Union Pacific Railroad are heard, and newspapers talk of that company being anxious to get control of vast coal deposits. This sounds strange to me, because three years ago I was employed to investigate the business possibilities of the Grand Encampment country and Northwestern Colorado by the Union Pacific Railroad and in that report I urged the importance of building a branch road to the anthracite coal deposits in this section, and my recommendation was turned down by the management on the assumption that the Union Pacific Railroad had all the coal they wanted.

This reservation may be a good thing for the people who might live three hundred years from now, or when the Utopian time shall come when the socialist government runs all the business of the country, but it is a staggering blow to the west of the present day.

It withdraws millions of acres of valuable taxable pro-

perty from the market, and puts that much more "reserves" under the authority of the executive who will naturally have the "rangers" drive you off this "imperial" domain with as much vigor as is now used in timber reserves.

Of course Iron reservations will come next, and soon this "land of the free" will be allowed to breath the air "if good" but will be restricted as to quantity if government decides to use air ships for any purpose.

The fact that 40,000,000 acres of timber land in the Phillippines has been placed in the same kind of control as the forest reserves in the United States; requiring "permits," "concessions" and what not, from the authorities before anything can be done, is the main reason why the great timber business of those islands have not been developed. Is it possible that they are attempting to "conserve" water in that country where the rain drowns the Rocky Mountain jackass in the open streets because he fails to put his head under shelter? Or is it the intention of the government to keep Americans away from the lands they have bought and save the timber for some future Philippino republic's benefit?

The timber of the Phillippines could in five years time return to us the purchase price of those islands. The present generation furnished the money for the purchase and should receive the benefits of the trade.

If American citizens were given but "half a show" in these "possessions," in one year's time the army would be in the way, and the islands on the road to great prosperity.

CHAPTER XXX.

BANK CONTROL AND CURRENCY TINKERING.

The constitution provides that Congress shall have the power "to coin money, regulate the value thereof and of foreign coin, and fix the standard of weights and measures" and this authority taken in conjunction with its power to borrow money on the credit of the United States, is as far as that document goes in granting privileges to any branch of government in regard to money matters.

The government kept well within its province in this matter until the civil war. An attempt had been made to organize a United States Bank but was defeated at a time when centralized government was feared by the people.

During the civil war an emergency arose which required congress to provide a circulating medium as all of our coin had been drained to Europe in payment of balances of trade and coin being at a premium naturally was used for that purpose.

The right to borrow money was used by congress and the "greenback" promises to pay were issued in demoninations suitable for currency purposes.

To make them "legal tender" the Supreme Court was changed through appointments made by the President and a decision given to that effect.

There was at that time a necessity for this "forced loan" from the people; and as this manufactured interpretation of the court, answered the purpose of creating a paper currency, based on the "faith of the government" many reformers and cranks became advocates of this form of paper money inflation.

Although the greenbacks issued are a plain "promise to pay" the sum mentioned on their face, the "greenbacker" assumed that the note thus issued was the money itself.

Their lack of study in economics did not enable them to see that while congress could borrow money in any way approved by the courts, that these notes were merely expressions of debt, and that each one outstanding was a danger to the treasury.

The socialistic idea that the government could create money by such a subterfuge obtained such a hold on the people that today there are \$346,681,016.00 of this class of paper outstanding although the emergency which occasioned the forced loan, long has passed. For fear of raids on the treasury at inopportune times congress placed back of this issue of promises to pay \$150,000,000 gold reserve to protect the treasury. They should long ago have called these notes in and paid them off.

No solvent government should keep such an obligation outstanding, and no government of the first class pretends to do so.

The same emergency which brought the greenbacks into existence caused laws to be passed allowing banks to issue currency based on bond issues of the government.

While this move made a great demand for government bonds at a time the government needed the money, and also placed the issue of the paper promises to pay or paper currency if you please, back in the hands of private citizens as our constitution intended, it is not a logical or safe currency. It is only a form of paper inflation. What is the difference between our national bank circulation today and the greenbacks? The Bank circulation has a paper promise to pay on the part of the government back of it, while the greenback has 43 $\frac{1}{3}$ % coin reserve in the Treasury.

The additional credit of the National Banks of issue to my mind is of more value to the people than the government guarantee. If the government by law would require that a coin reserve be held by banks of issue to protect their circulation and deposits, and allow banking in the United States to be conducted on true business principles as is done in all other enlightened countries we could have "elasticity in currency" and better banking service.

It would allow the government to withdraw from the money markets, and oblige speculators, and moneyed men to

rely upon themselves, and not fly to the Secretary of the Treasury for relief each succeeding term of dividend payments or harvest demands.

As it is, the government is drawn into every grave financial condition and the interests nearest the Secretary of the Treasury are assisted the most.

We are "wabbling" around the socialistic idea of our government entering into, assisting or destroying all business conditions so violently, that in case we get a real lively active "reformer" in the Treasury Department, he may take it into his head to change the system of government relief, and disturb our whole system of bank credits possibly bringing panic, and thousands of millions loss to the people. On January 1st, 1906, there were about \$535,000,000 National Bank notes outstanding and while the banks held about \$318,000,000 gold and gold certificates and \$88,000,000 silver and silver certificates and \$175,000,000 legal tender (greenbacks) it can be seen that if the greenbacks are reduced to coin (i. e. 43 $\frac{1}{2}$ per cent) that they held but \$481,000,000 of real money to back their circulation, with over four billion dollars deposits protected by a like amount of loans and discounts and \$1,400,000,000 worth of bonds, securities, bank buildings and fixtures.

The above figures show a comparison with other nations if reduced to their mode of figuring. In most solvent nations the bank note is a representative of "coin" and the bank must be prepared to pay out coin upon presentation of the note. The figures given show ample strength in the National Banks to protect both their circulation and depositors, but the "coin" used is far too small for safety. The plan of issuing National Bank Notes based on government bonds creates a false condition in our finances.

It creates a fictitious value to our bonded debt, and places the United States in a reverse condition from that presented by true political economy, viz.: The nation must create and continue a bonded debt in times of greatest prosperity, or bring about a disastrous contraction of currency which would create panic and tremendous losses.

The growing need of currency in the nation as business increases, created a demand for the Panama Bonds so far beyond their true value as to be remarkable. No business

man thinks that the credit of the government or the interest paid, would make a 2 per cent bond sell for 104, because he knows that the law allowing issue of currency based on these paper promises to pay of the government, is the sole and only reason for the premium.

If our currency issues could be separated from the bond issues we would approach true currency reform, but the evident desire to have our government enter into all kinds of business, keeps up this farce in finance.

Practically all of the bonded debt of the United States is back of the currency or in the hands of trust and insurance companies. A so-called capitalist who would leave his money in a government bond today should have a guardian appointed, as he certainly is too timid a man to be allowed to handle his own affairs.

This scarcity of government bonds and resultant inelasticity of currency, last January created a great commotion in New York.

The Secretary of the Treasury suggested that a law be passed giving banks authority to issue in currency fifty per cent more than their bond holdings with a tax of 5 or 6 per cent to oblige retirement after the emergency.

Mr. Schiff, the banker, said at the time "Mark what I say, if this condition is not changed and changed soon, we will get a panic in the country compared with which the three which have preceded it would only be child's play."

Mr. Schiff appeared to want the commercial paper in banks made a security for currency issue instead of this palpable inflation recommended by the Secretary of the Treasury. Mr. Gage, a former Secretary of the Treasury said "I agree positively with Mr. Schiff that the monetary conditions which have existed in the country for the last sixty days are disgraceful to us as a nation," but he appeared to think the secretary's recommendation a good one with certain modifications, and he winds up with the expression that the correction of these conditions is a "high public duty of the President, a very high public duty."

The President of the Chase National Bank said "Certainly something has to be done; we have no government bank to fall back on and some way of improving present conditions must be found."

Mr. Vanderlip of the National City Bank said in regard

to Mr. Schiff's remarks "Undoubtedly he is right in saying that some time our illogical currency system will cause trouble."

In April again the Secretary of the Treasury had to confer with the New York bankers in arranging gold imports, and entered into competition with "Exchange" houses in bringing gold from Europe causing material loss to private citizens, arranging for the gold imports through a secret plan entered into with the National City Bank. It is against our principles of government for the Secretary of the Treasury or the President to be a party to any such transactions and it is against public policy.

It can be seen that there is a growing idea that government should be depended upon in these cases of emergency. It is the natural result of congress departing from constitutional ways.

Congress was only allowed to borrow money and to coin money and regulate the value thereof. It borrowed this \$346,000,000 and issued notes for it (greenback) during the war and does not pay it back, and it stopped coining silver money at the instance of these same men who are clamoring for relief.

The pressure brought on congress by these so-called "financiers" stopped the constitutional coinage of money, and what is the result?

Since 1893 when the United States stopped using her own production this country has sold to other nations about 472,000,000 ounces of silver for about \$287,773,000.

We sold this bullion at a time when balances of trade were enormously in our favor, and this sum was only an additional amount demanded from other countries.

While selling this bullion for less than one half of its coinage value the United States through its National Banks has increased its paper money inflation (bank notes based on paper bonds) about \$386,000,000.

If congress had permitted coinage of the 472,000,000 ounces of silver produced by American mines, we would just about have evened up our currency to requirements of business without this "illogical" condition having been brought about. If the government had kept out of the banking business and attended to its functions as laid down in the constitution we would today have had the soundest currency

system in the world with more coin reserve than any two nations on the globe. The banks could issue currency based on "coin" with a reserve of thirty, forty or sixty per cent as congress should devise, and no form of panic could last longer than it would take to transfer relief from point to point.

The personal responsibility of a stockholder as exercised in Scotland or Mexico would be a better safeguard for the issue of emergency currency than any form of security selected by the government.

If a socialistic revolution should sweep the country or a disastrous foreign war occur (and both are probable) the government 2 per cent bonds would soon go to 50 cents on the dollar and the whole currency system except the certificates issued on coin deposits and the greenbacks now in use, would be discredited, and the base on which National Bank circulation is issued would be cut in half.

If currency was called in to meet the depreciation the contraction resultant would produce disastrous panic at the very time the nation would need funds. Congress departed from its constitutional function at the time when it assumed to purchase bullion, as the authority to coin money and regulate the value thereof never intended that the government should speculate in bullion or buy and sell. It appears that this was one of the first of the socialistic ideas engrafted into law in 1878, i. e. for the government to make a profit out of coining money.

If a coin basis was adopted in this country we would have a "logical" currency and one which automatically could be expanded or contracted as business may demand.

If increased demand was made for currency, bankers could purchase bullion, as they do in other countries, and increase circulation; and when the demand was over, or if they feared inflation, they could sell the bullion and retire currency in proportion to sales.

A premium of but a couple of cents on a dollar would draw sufficient bullion from other countries to enable the increase, and the losses from sale would be far less than the government penalty proposed in currency increase based on securities.

In addition the bank control could be regulated by

negative laws without the government having anything to do with the business. The charter of state or National banks could provide for the safety of the people, limits of issue; reserves; inspection, and every safeguard now given currency issues, with criminal and personal liabilities and safeguards which would be more binding than at present, and do it all through negative laws.

Inspectors could see that the laws were enforced, and a government or state regulation would be as complete as at present, but the farce of the Secretary of the Treasury and the President being appealed to about every three months would cease.

If the bankers did not secure the bullion necessary to place coin back of increased demand, it would be their own fault, but they would protect themselves the same as in England, France or Germany, while at the present time the government must "create" a fictitious debt to enable necessary increases.

The sale of Panama bonds was nothing more or less than the manufacture of paper necessary to relieve the currency situation.

I have carefully read all of the suggestions made by these financiers (?) but fail to see where one of them suggested coin as reserve for currency issues (*the only logical international check on panic*).

They all want to create fictitious money promises to pay, based on some other kind of paper.

Nearly all of these men took so prominent a part in the silver discussion a few years ago, that they are afraid to mention "coin" and acknowledge its need, because of being charged with inconsistency. In case any of their recommendations are followed it will but "pile more fuel on the fire" of the next financial panic. The growing business and population of the United States requires an average increase in currency each year of over \$100,000,000. We produce about \$65,000,000 worth of gold yearly and have been selling our silver at less than half price to other countries and for thirteen years have been issuing "fiat currency" in the form of National Bank notes to fill the gap (\$386,000,000 increase in 13 years). The international exchange of gold between this country and other nations, nearly balances itself for

this term of years, after the results of last April's speculation on the part of the Secretary of the Treasury in conjunction with the New York Bank to which I have called attention is taken into consideration.

The currency "makeshifts" adopted in our "possessions" by the government furnishes convincing arguments that it would be better for the nation that government withdraw from banking and currency operations. It is ludicrous to hear the complaints made that the Panama and Phillippine dollar (?) dissappears from circulation, and the innocent announcement that the natives must "hoard" the silver currency.

While it is evidently a good speculation to "hoard" a fifty-cent dollar, with from 52 to 56 cents' worth of bullion in it, and a prospective advance to 100 cents, the fact that it is worth more as bullion than as coin should be sufficient explanation to a business man for their disappearance.

Mexico by her ill-advised change in coinage laws has laid the foundation for hard times in that country, through a violent contraction of currency.

Her 50-cent dollars are disappearing the same as our Phillippine and Panama dollars and as they use this coin back of part of their currency, it means a necessary contraction of currency or unsafe paper inflation.

The silver market now is ruled by the breaking loose of Mexican dollars when quotation goes much over 65 cents per ounce and a drain of currency is going on from Mexico that already is reflected in the industrial unrest heard of there.

The violent antagonism worked up in the United States against silver coinage was a political vagary carried to an extreme, and true economic principles were not even considered in the discussion.

The cry of "inflation" made by the very men who now want relief to the currency situation, has been proved to be insincere; because they have "inflated" our currency with as many paper promises to pay based on government promises to pay as would have been coined if we had used our own production of silver.

The automatic increase of currency based on bullion

production or purchase would have created a "logical" currency while now the greatest banking authorities in New York declare an illogical one exists.

The wealthy people of the United States who object to silver coin and who have induced the government to keep in circulation about \$145,000,000 of one and two dollar bills in this country, appear to take delight in going to Europe and some way manage to get along in those countries where no paper money of less denomination than \$5.00 equivalent is known.

The prejudice is entirely occasioned by political feeling and prevents the distribution of this vast amount of coin among the people. The government, except in cases of a forced loan (such as the greenback), should have nothing to do with paper currency; it is the rightful province of the banking industry and an unwarranted encroachment on the private rights of citizens, and as these New York men say, it creates an illogical condition.

Until we place our currency issues on a coin basis the condition will continue to be an illogical one, and there can be no safe way of expanding and contracting our currency to meet the trade conditions.

Coining money is a government province, but the issue of notes, and the nation standing back of and participating in business conduct of transactions purely economic was never intended.

CHAPTER XXXI.

THE TREASON (?) OF THE SENATE.

The socialistic writers of the times appear to derive great satisfaction in attacks upon the Senate of the United States.

One young man made quite a reputation by attacking every prominent conservative member of the Senate, who had conscientiously tried to fulfill his duties as a Senator, and a sensational magazine gave his attacks great prominence.

The writer gave evidence that he did not know why the Senate was brought into existence or what it was created for.

He assumed that because its action was conservative, that it was not doing its duty, and made an appeal to the people that it should be changed so as to represent the interests of the "common people," as he expresses it.

What are the facts?

When our government was organized in its present form, a great discussion arose over what should vote, i. e., property and the taxpaying interests, or the common people.

There was such a disagreement in regard to the class of property and amount which should represent a vote, that in the end the present system of universal suffrage was adopted.

After agreeing upon universal suffrage the framers of the constitution tried to and did provide a check upon the action of the "common people," to save them from an unwise or hasty use of the power given them.

Mr. Madison explained the reason for the formation of the Senate or second branch of the legislature as it was called, when he said: "that the objects are two fold; first: To protect the people against their rulers, and second: To protect the people against transient impressions into which they themselves might be led."

In his speech in the constitutional convention he said:

"An increase of population will of necessity increase the proportion of those who labor under all the hardships of life and secretly sigh for a more equal distribution of its blessings. These may in time outnumber those who are placed above the feelings of indigence; according to the laws of equal suffrage the power will slide into the hands of the former."

He suggested that among other means to check the encroachments of the most numerous, "the establishment of a body in the government sufficiently reputable for its wisdom and virtue to aid on such emergencies the preponderance of justice, by throwing into that scale."

Mr. Gerry was even more direct when he said: "The people have two great interests, the landed interest and the *commercial, including the stockholders*. To draw both branches from the people will leave no security to this other interest, the people being chiefly composed of the landed interest and erroneously supposing the other interests are adverse to it. The election being carried through this refinement (i. e., through the legislatures of the states) will be most like to provide some check in favor of commercial interests against landed; *without which oppression will take place and no free government can last long when that is the case.*"

Another reason for the senate's existence was the fact that it was feared that an impulsive House of Representatives, would encroach upon the rights of the states. Col. Mason in his remarks on this feature said, "The state legislatures ought also to have some means of defending themselves against encroachments of the National government and what better means can be provided than giving them some share in or rather making them a constituent part of the national establishment?"

The danger of one class obtaining complete control of legislation was fully understood. Mr. Wilson said: "A single legislature is very dangerous; despotism may present itself in various shapes. May there not be legislative despotism if in the exercise of their power they are unchecked or unrestrained by another branch?"

From these extracts taken from remarks made when the Senate was brought into existence, it will be observed that the present socialistic agitation was clearly foreseen, and that the senate was provided as a definite check to any legis-

lative tyranny attempted by the House of Representatives as against the commercial or stockholders' interests.

The quotations show that these statesmen fully expected that in time the House of Representatives would be controlled by the laboring and agrarian element owing to a preponderance in number.

Mr. Madison, and in fact nearly every member of the convention expressed frankly their fear that unwise action on the part of the people was the greatest danger to the republic, and that as we were the first to give universal suffrage, a safeguard should be prepared which would check socialistic or communistic aggression. History was an open book to them as it is to us today. They knew that the destruction of the first great republic was the direct result of the seizure of the power to originate legislation on the part of the burgess of Rome swayed by the oratory of the "tribunes" and controlled by a mob.

The joint degradation of the Roman Senate by executive usurpation and these democratic influences, removed the check between executive ambition and unwise legislation, and disaster followed.

The tyranny of Cromwell was more fresh in their minds than in those of the present generation, and these patriots could already hear the rumbling of that socialistic volcano which six years later brought forth one of the most sickening political tragedies enacted in the world's history. Most of the framers of the constitution lived to see the day when the socialistic mob in France drenched her fair plains with the blood of 1,022,350 innocent victims (over 46,000 of whom were frail women and innocent children) and if those statesmen had thought they had failed to protect our country from such a disaster they would have amended the constitution and corrected the error.

The present agitation in favor of the election of the senate by the "people" is but an attempt to remove the check placed by the organizers of our government to prevent hasty, unwise or oppressive legislative action.

It is an attempt by those socialistically inclined to get control of the branch of the legislature which was intended to protect the commercial interests of the nation.

Mr. Bryan, one of the foremost agitators for the removal

of this check to legislation said in an open letter to the voters of Colorado, Oct. 21, 1906, "The laboring man ought to remember, too, that no remedial legislation is possible until we secure the election of Senators by direct vote of the people. If the senate can be made elective *then the gateway will be open to all reforms.*"

His reforms mean a change in our constitutional payment of tax, an ownership and control of utilities, a seizure of the property of the rich for the benefit of the state and a limitation of profit on capital to suit the views of the "people."

He is a student and evidently recites the orations of Caesar and repeats the street-corner talks of Claudius; there is no new thing in his arguments.

Human nature is unchanged; it is the same as it was two thousand years ago. Grant undue power to one faction of the community; it but whets its appetite for more.

If the socialistic agitation succeeds in removing this safeguard provided in our constitution, how long would the courts be able to withstand the legislative tyrannies attempted?

The great commercial and stockholding interests are as important to the progress of our country as are the laboring or agrarian interests. The framers of the constitution expected that the Senate should protect these interests as against the aggressions of the most numerous and also see to it that the integrity of the states was preserved.

The Senate was not expected to champion the rights of the "people," but were to see to it that the representatives of the people did not pass laws which would create hardship or encroach on the rights of the property owners.

It was late in the discussion before pay was provided for Senators because it was expected that they would be of a class which would not expect pay for public service.

As a counter-check to prevent the representatives of the commercial interests from imposing hardships in the way of tax, it was provided that all bills for revenue should originate in the House. These two checks go together in our political economy and it was expected that with these provisions no tyranny of class against class could succeed, because of the necessity of a compromise between interests before successful legislation could be perfected.

It will be found that the constitution and the first series of amendments guard every interest and it will be a danger to remove the protection afforded.

If Senators are to be elected by the same class as the House of Representatives and represent the same interests, why not abolish the Senate and increase the membership of the House and thus remove all check to legislation?

The only weak point in our political system is the failure to have our state senates appointed or selected in some other way than direct election by the people. It is the reason we have "freak" laws in various states.

If the intentional provision in our constitution which was framed with a view of protecting the wealthy few against the increasing many is removed by having the people directly vote for senators and thus control both Houses, it creates the very danger from legislative tyranny which our forefathers hoped to provide against.

It would be but a short time when the non-property-owning class of voters would succeed in passing laws so clearly against the interest of the commercial and stockholding class, that Mr. Gerry's prophesy would come true. "Oppression would take place and no free government can last long when that is the case."

All wise legislation is a matter of compromise. If the people attempt to pass laws which cannot pass the scrutiny of the Senate, which is expected under our constitution to protect property rights, the laws should not pass. If the action is so radical as not to be a subject of compromise, it would be a disaster to force it through.

The attack on the Senate by these ignorant socialists, because of its attempts to attend to its constitutional duty, should be frowned down by patriotic citizens.

However, some members of the Senate itself have been carried away by this agitation and several demagogues have been successful in obtaining seats in the Senate through the agitation which demands that the "people" should elect both branches of the legislature.

The man who takes a seat in the United States Senate and proclaims the fact that he is there, representing interests in antagonism to the commercial or stockholding interests or the Senator who would allow the interests of his state to suffer from ill-advised legislation which had passed the

House of Representatives is the "traitor" and not the man who stands as a check against forms of legislative tyranny or executive ambition.

The protection given owners of property through our form of government has helped the "common people" more than they could help themselves.

The laborer has been enabled to receive more pay in this country than in any other, and the security assured owners of property has been the reason he has had well-paid work to do when he desired to labor.

Mr. Bryan's "predatory wealth" has not injured the "common people" and the agitation against the commercial interests is merely one of the phases of socialistic "clap-trap."

Laborers and farmers should know from experience that followed the panics of 1873 and 1893 that their prosperity is so closely allied to the commercial interests, that if they suffer the whole community suffers.

The attempt to take away the protection to commercial interests is as suicidal as Sampson's destruction of the temple. If the commercial and stockholding interests are torn down they carry along with them every money-making interest in the country.

This effort to change the method of election of senators, is only one form of the attacks on our representative form of government. The movement for "direct primaries" is of the same character. It is one way of bringing us down to a true democracy, a government by a mob. If successful the "tribunes" with the loudest voice and who proclaim the wildest vagaries will attract attention to themselves; or the newspapers with the reddest ink and most glaring headlines will control political action and our form of representative government would disappear.

It would hardly be probable that conservative representative men would be selected through such methods for any of the higher offices of a state. They would be unknown, and it would leave the political field open for exploitation to the agitator and crank or the designing politician who chanced to own a newspaper.

Our national character is changing through excessive immigration of Latin and Slav and the judicial Anglo-

Saxon poise is being replaced by a mercurial temperment, which takes kindly to the ranting demagogue and enthusiastic newspaper liar.

Our system of representative government carried down to the primary has been the reason of our political success as a republic. The "refinement" of the expressions and desires of the people through representative conventions of parties, has restrained excesses and prevented abuse of power.

As a business proposition the press of the country favor this so-called "reform," because it would give that class of property-owners great power politically. The newspaper would become the "tribune" addressing the mob, and they could make and unmake political candidates for any of the higher offices.

The residents of Rhode Island might know of some able conservative man for the office of Governor, because of its limited territory. But what man, no matter how able, could expect to be known to the people of the state of New York or Illinois sufficiently well to carry a majority in a general primary election?

The idea of these agitators appears to be to drag us down to the same form of primary which proved to be the death of the Roman Republic.

A reference to the people directly of questions of the gravest importance to the state, without using the political checks which would induce conservatism.

Selections made in such a manner could easily bring to power officers with the instincts of the Directory of France, whose tyrannies against the owners of wealth destroyed all property rights in that nation, only a little over one hundred years ago. It would tend locally to place men in power as reckless of consequences as were the leaders of the ill-fated commune of Paris.

It is the hope of Socialism to destroy representative government but it is the political road that leads to anarchy.

CONCLUSION.

The publication of this book was withheld until after the fall elections of 1906 because it was not desired to have it appear to be an argument intended to influence political action during a campaign. It is semi-political in character and it would not have assisted either party; although the members of both parties should consider the question of governmental interference with private business conduct with great care. Thousands of voters who have taken an active part in politics failed to see expressions in any of the party platforms which represented their political beliefs.

It developed that at the present time there is no "conservative" party in the United States.

Each one of the parties appear to be vieing with the other, in an attempt to get nearer the beliefs of socialism than its opponent.

The leaders who framed the platform expressions appear to have lost their political bearings.

It is strange to see in a democratic platform a demand that the central national government should control private business ventures owned by citizens. It is far more strange to see in a democratic platform a demand that the national government should control, regulate and possibly purchase our railroads, which have been chartered by the several states, and owned by private citizens.

It is ridiculous to see a democratic endorsement of civil service reform, which already has created a "class" of office holders four hundred thousand strong.

Recommendations such as these would cause Jefferson to disclaim the title of democrat, and a demand that the central government take control of the paper issues of currency instead of leaving that function to banks owned by citizens, should cause the ghost of Jackson to haunt the framer of such a resolution.

The natural concentration of power in the hands of an

executive which these demands would bring about would but repeat the mistake of the democracy which made a Caesar possible. Can it be that the democrats have learned nothing in two thousand years and now wish to repeat the error that destroyed the first republic?

Representative democrats should know that these things are not democratic principles, and that it is only inserted in their platforms to catch the votes of imperialists or socialists.

It might be in accordance with democratic principles to advocate "the election of senators by the people," to declare for the "initiative and referendum," or for a primary election law that would allow the people to directly make selections for office without the intermediary of representatives; but these other reforms represent views in antagonism to democratic theory. Having "reformed" one great republic out of existence, democrats should have a care about fundamental reforms.

From appearances the conservative democrats have been "spewed out" of their party, as Mr. Bryan expresses it.

The tendency and desire of democratic orators have been to create the impression that their party represents the man without money, and one branch of that party attempts to create popularity by inciting the indigent against the rich. Madison in the constitutional convention frankly stated that with universal suffrage this class of voters would out-number the other and it is good political economy for some party to guide that class of voters if it is done through representative selections and in American ways.

In politics as well as legislation it is well to have an opposition; it creates a balance-wheel in our governmental machinery.

Unfortunately at the present time the socialistic trend of thought drifts parallel to democratic beliefs and the democratic party has adopted many socialist heresies in the hope of attaching that element to it.

It would be better for the believers in the theories mentioned if they would join together either as socialists or democrats, and release the conservative element now associated with the democratic party.

In New York to a certain extent this was done in the campaign just passed, only a complication brought about by unwise republican action created peculiar conditions.

The untried party leaders of the republican party did as strange things as the other party attempted.

How ridiculous it appears to see a demand for an election of senators by the people or a primary election law, intended to destroy representative government in a republican platform; because the framer of such a resolution is a democrat and does not appear to know it. He is as much a freak as a high tariff democrat or a free trade republican would be.

He is chopping away at the base of a republican form of representative government, which was intended to check the encroachment of class against class through unwise political or legislative action.

Again, for forty years either the intuitive or expressed knowledge, that the democratic party hoped to represent the poor in antagonism to the rich, has had the effect of driving the greater portion of the commercial element into the republican party. The commercial and stockholding classes have assisted the republican party, and it cannot be denied that the party has protected these interests. The party did not protect their interests, *as against the poor*, because the protection extended has created the greatest prosperity, and enabled the laborer to receive better pay than in any other country. So that this protection has been the greatest assistance our poor people have received. But in the last campaign the party through unwise leadership advocated reforms which of necessity will antagonize the commercial interests of the country. These reforms do not come from the people up to the government, but have originated in the government itself, and the untried leaders of the party attempted to engraft these ideas inspired in Washington into party platforms.

So that we find in republican platforms a demand for the government to regulate and control the greater business ventures of our citizens, and investigate and regulate business with a view of preventing capital from receiving any speculative benefits from investments, and restrain them to a rate of interest which would be satisfactory to the people.

Now the men who insert that trash in either the republican or democratic platforms are socialists and do not appear to be aware of the fact. The advocacy and defense of the administration's mistakes in this matter on the part

of the republican party placed the commercial and stock-holding class of our community without any party representation and the result was that in New York over twenty per cent of the voters did not vote, although Mr. Root with a direct message from the President called attention to the danger as he expressed it. The day after the election the chairman of the republican state committee said, "I knew all along we had lost the labor vote," but he also must have known that he had lost the vote of the commercial interests as well, or he was a poor political manager. To the business interests of New York there was little to choose between the two candidates for governor and the result was that 350,000 men did not vote at all, and if the farmers had not turned out at Mr. Root's impassioned request and the conservative democrats turned the scale against Mr. Hearst, he would surely have been elected. In fact results show that the democrats defeated Mr. Hearst, because the balance of their ticket was elected, not because the 175,000 republican majority was not present in the state, but because it did not go to the polls.

If the chairman of the New York committee had been a student of political thought, he would have known that if the Commercial interests were antagonized the best of the laboring element was also lost, because the better element of labor is friendly to his employer, and is willing to assist him by his vote.

In this same election Ohio and Colorado went overwhelmingly republican, because in Ohio Senators Foraker and Dick, who were known to be antagonistic to the so-called "reforms" of the administration, assured the business community and retained their support. In Colorado a remarkable example was given, because the administration admirers nominated a personal friend of the President for Governor, but as the business element of the state desired that the action, of the supreme court in settling the labor troubles, should be ratified by the people, it developed that the Commercial interest controlled the Convention. The President's friend resigned from the ticket as he thought it would be out of place for him to run on a ticket clearly controlled by the element which the President was attacking. During the campaign

it was made plain that the great corporations and the "state builders" were in favor of the republican ticket, and as a natural result the honest laboring element in the state voted for his own and his employer's interest, and the most complete republican victory in the state's history was the result.

I was present at Omaha when the Secretary of War made his speech in support of the republican congressman from that district; and firmly believe that his expression which was repeated to give it force, that the President had instilled the "fear of the Lord as well as a fear of the law" in the hearts of the corporations and threats of the use of a "big stick," caused the defeat of the man he advocated.

There were enough business men and laboring men who sympathized with their employers in that audience who decided that if the administration needed this man to assist it in such an endeavor, that it was better to send the other man, and the republican was defeated.

The reform laws singling out corporate subscriptions to party success and making it a criminal offence is not only unconstitutional but it is cowardly. A socialist would be warranted in such an action, but it should be beneath any American's idea of right. It is proposed to create an agitation clearly intending to destroy corporate interests and after tying them hand and foot, belabor them with a "big sitck" and rob them.

The result in New York should cause reformers to hesitate, because it shows that a rich man can do more than a party organization, if laws are passed preventing party committees from raising necessary funds for campaigns.

Mr. Hearst certified to the Secretary of State that he had expended \$256,370.00 in his effort to become Governor of the state of New York, If he had been successful he could work with some good "trader" in the stock market, and engineer a "bear" movement on certain corporate interests; then bring drastic action and reap financial profits footing into the millions and the public would be no wiser.

Caesar spent millions in entertaining the "common people" before he reached the goal which enabled him to rob the rich of their money and the poor of their liberty; and while he was spending his money he proclaimed him-

self a Democrat. The people should credit a man who has the nerve to spend such a sum in politics, with ordinary common sense and know that such expenditure does not indicate philanthropy.

The commercial interests should be allowed to protect themselves, and being smaller in number increase their influence by the use of money. Remember it was but a scratch that prevented money from having all the vote in this country, and it is out of place for a democracy to attempt to take away such privileges.

The results of this fall's election show that we have started a political drift towards socialism, that should be checked by conservatives in both parties uniting.

If it is the desire of socialism that the government operate all of the business of the country and that no man should be better paid or better off than his fellow, and that the most ignorant citizen should have as much to say in government as the ablest; it is well to have the expression placed in their platform and every man who holds that belief, vote for it. Let him vote the socialist ticket and be done with it.

If the democrats believe in free trade, states' rights, and that all the laws should be passed in the interest of the poor or as they express it, "the greatest good to the greatest number," it is right to put it in their platform.

But the party leaders who place expressions in a democratic platform favoring ownership of public utilities, control of railroads and regulations of trusts are practicing a deceit on their followers who do not study political conditions, and are leading them into socialism.

The republican who advocates that the government should regulate, control and investigate private owned investments with an avowed determination of limiting the profits to a certain percentage to be determined by political parties, or the "people," is adopting socialism in an indirect form.

There is no difference between a seizure of profits and a robbery of property. The only object in the ownership of property is to receive the benefits in the form of profit.

Unless some of the parties now in existence take the conservative side in this issue, and attract to itself the great

commercial interests, socialism will be an assured fact, or the hardship of a financial panic be necessary to bring the people back to reason.

About thirty percent of our people are engaged in commercial pursuits or belong to the stockholding class of citizens and through their employment, friendship and assistance to laboring men influence over fifty per cent of the vote. But through the extraordinary action of party "bosses" (and the "reformer" is the most strenuous boss of all) all of this *majority* of voters is left with no party representation.

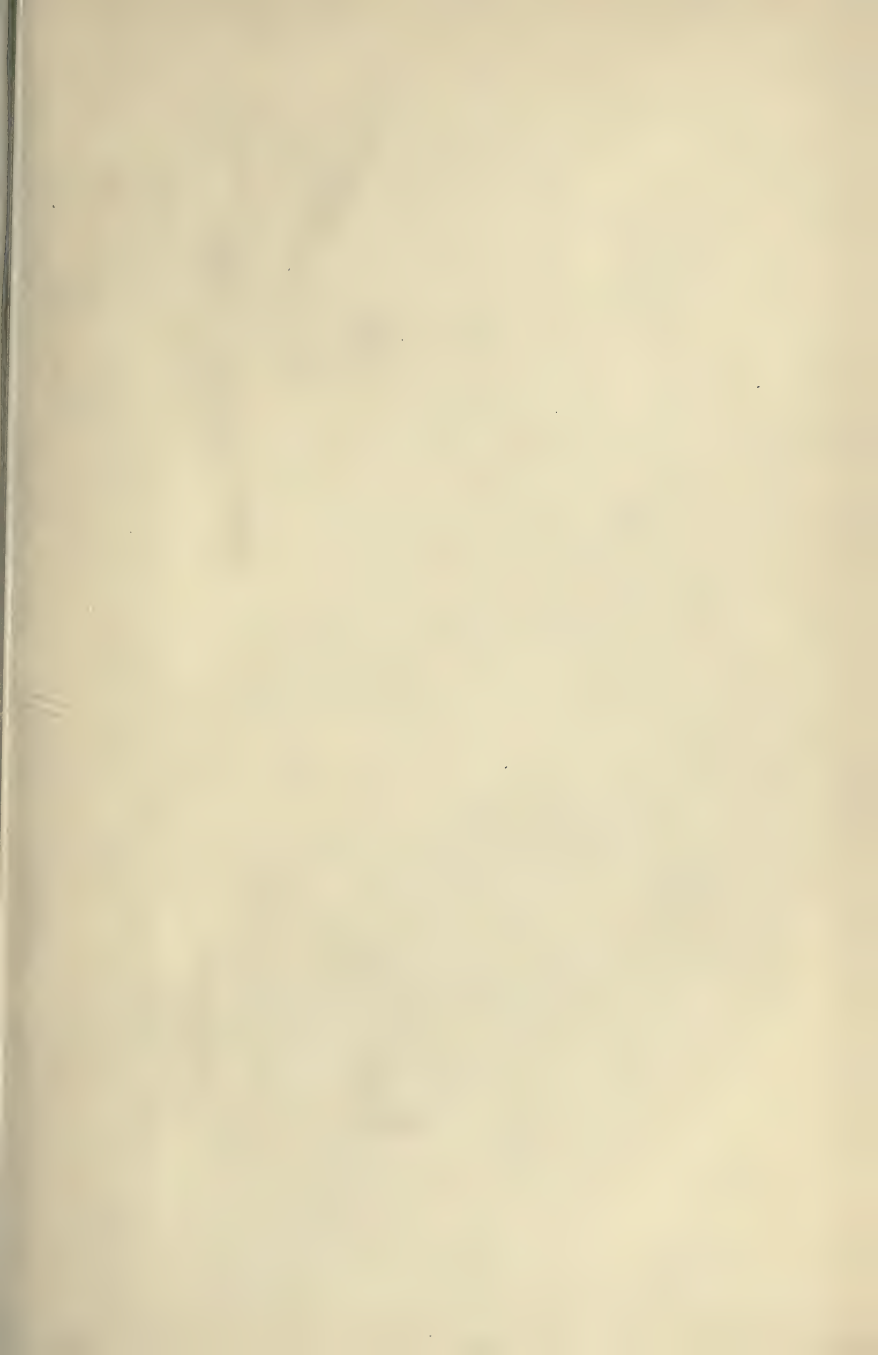
The majority of the people do not believe in these reforms proposed and the fall elections prove it conclusively.

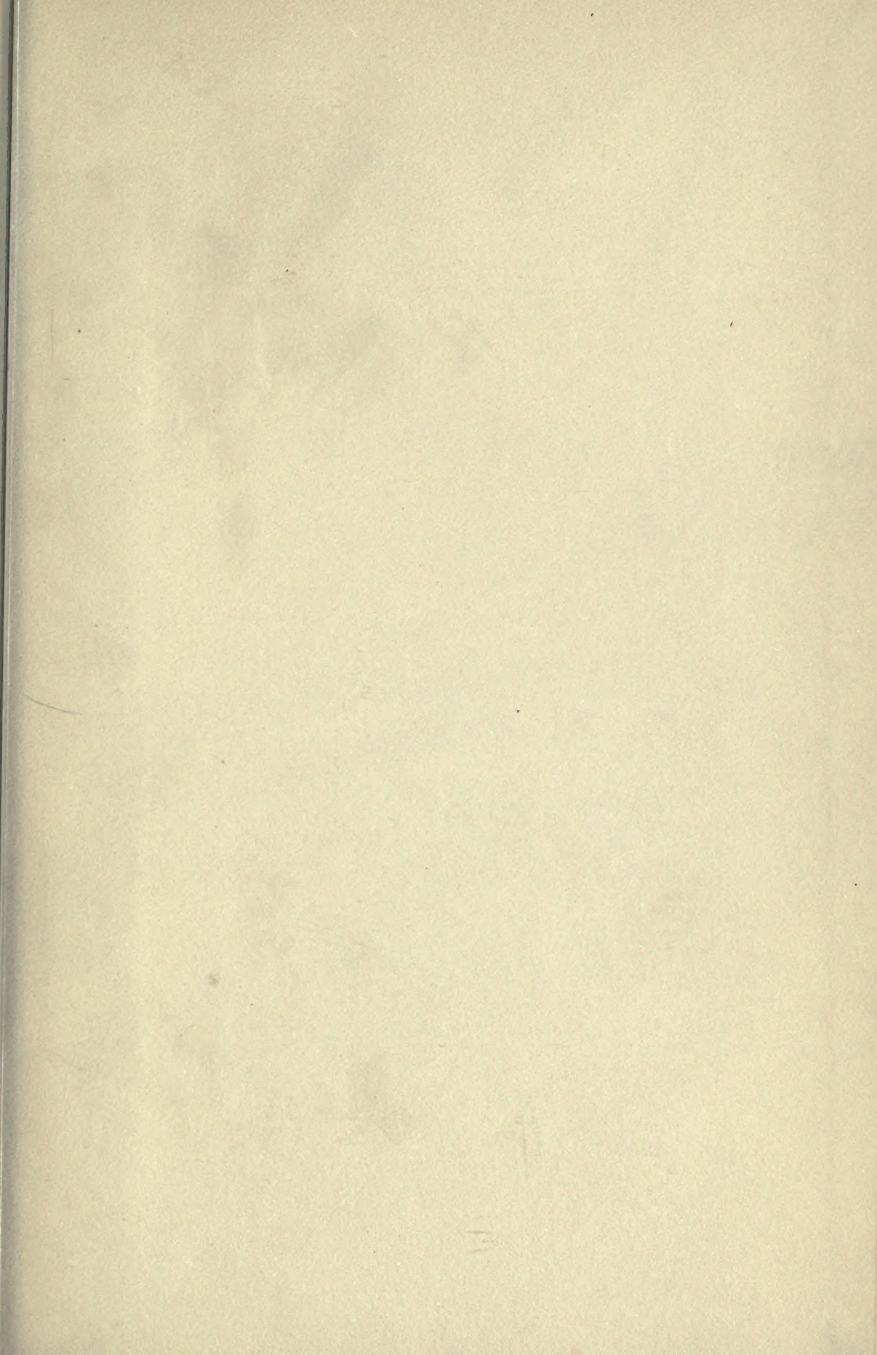
Are we to drift to socialism, which builds up a tyrannical power in the executive, like that of New Zealand, where the property of the landed proprietors was seized by the state within the past twenty years, or that more savage tyranny which was developed in France only a little over one hundred years ago, that destroyed all property rights?

Or are we building up a power in our Executive Department so strong and comprehensive that some ambitious man when President will cast the precedent aside established by Washington, and assume to rule not only eight years, but a lifetime?

If these proposed regulative laws are established, so great a power will be centered at Washintgon, that millions could be made by the proper interpretation of a "nod" or "wink" and fortunes "regulated" out of existence in a day.

If we cut loose from our constitutional moorings which have bound us to individual liberty and personal rights, we cannot fail to drift toward the sands of Socialism or the rock of Empire; there is no open channel between these danger points.





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